THE ROSEN LAW FIRM, P.A.
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Counsel for Plaintiffs

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

CHARLES DAVIS, BART PANESSA, and JEFF NIEMEIER, Individually and on behalf of all others similarly situated, Plaintiffs, v. KATANGA MINING LIMITED, JOHNNY BLIZZARD, JACQUES LUBBE, MATTHEW COLWILL, ARISTOTELIS MISTAKIDIS, LIAM GALLAGHER, TIM HENDERSON, IVAN GLASENBERG, and GLENCORE PLC, Defendants.	Case No. 2:17-cv-12188 **DECLARATION OF BRENT J. LAPOINTE IN SUPPORT OF PLAINTIFFS' OPPOSITION TO DEFENDANTS' MOTIONS TO DISMISS THE CORRECTED FIRST AMENDED CLASS ACTION COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS**

I, Brent J. LaPointe, make this declaration pursuant to 28 U.S.C. § 1746. I hereby state as follows:

1. I am an attorney at The Rosen Law Firm, P.A., Counsel for Plaintiffs Charles Davis, Bart Panessa, and Jeff Niemeier and the proposed Class in the above-

captioned action. I have been admitted to practice before this Court *pro hac vice*. I have personal knowledge of the facts stated herein and, if called as witness, I could and would testify competently hereto.

2. I submit this Declaration in support of Plaintiffs' Opposition to Defendants' Motions to Dismiss the Corrected First Amended Class Action Complaint for Violation of the Federal Securities Laws.

3. Each of the Plaintiffs named in this action is a resident of the United States who purchased Katanga securities on the U.S.-based over-the-counter securities markets, and paid for those securities in United States dollars through U.S.-based bank and brokerage accounts.

4. Attached hereto are true and correct copies of the following exhibits:

a. Exhibit A: Glencore's press releases obtained from Glencore's website at www.glencore.com.
b. Exhibit B: Glencore's Earnings and Conference Calls ranging from August 8, 2018 to May 9, 2019, obtained from Bloomberg.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: November 20, 2020

/s/ Brent J. LaPointe
Brent J. LaPointe

CERTIFICATE OF SERVICE

I hereby certify that on November 20, 2020 I caused a true and correct copy of the foregoing document to be served by CM/ECF to the parties registered to the Court's CM/ECF system.

/s/ *Brent J. LaPointe*
Brent J. LaPointe

EXHIBIT "A"

Glencore plc
Baar, Switzerland
16 November, 2016

Glencore investor update call

Glencore will host an investor update call on Thursday, 1 December 2016.

The RNS will be released at 7:00am (UK) and the presentation will be released at 12.00pm (UK). The conference call will begin at 1:00pm (UK).

Details of the call and presentation material will be available on our website closer to the date: http://www.glencore.com/investors/investor-update-call-2016/

Please dial in 5-10 minutes prior to the start time using the number / conference ID below:

Confirmation Code: **8255737**

London, United Kingdom: +44(0)20 3427 1904
National free phone - United Kingdom: 0800 279 4977
Johannesburg, South Africa: +2711 019 7076
National free phone - South Africa: 0800 991 539
Hong Kong, Hong Kong: +8523071 3092
National free phone - Hong Kong: 800 905 740
New York, USA: +1646 254 3362
National free phone - USA: 1877 280 1254
Sydney, Australia: +61(0)2 9253 5962
National free phone - Australia: 1800 027 830
Zurich, Switzerland: +41(0)44 580 7215
National free phone - Switzerland: 0800 345 603

A replay of the call will be available on 1 December until 30 December 2016.

Replay Passcode: **8255737**

London, United Kingdom: +44(0)20 3427 0598
Johannesburg, South Africa: +2711 019 7025
Hong Kong, Hong Kong: +852 3011 4669
Geneva, Switzerland: +41(0)22 592 7553
New York, USA: +1347 366 9565
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www.glencore.com

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Investors			
Martin Fewings	t: +41 41 709 2880	m: +41 79 737 5642	martin.fewings@glencore.com
Carlos Francisco Fernandez	t: +41 41 709 2369	m: +41 79 129 9195	carlos.fernandez@glencore.com
Stefan Ogden	t: +65 6415 7625	m: +65 9828 3700	stefan.ogden@glencore.com
Media			
Charles Watenphul	t: +41 41 709 2462	m: +41 79 904 3320	charles.watenphul@glencore.com
Pam Bell	t: +44 20 7412 3471	m: +44 77 3031 9806	pam.bell@glencore.co.uk

www.glencore.com

Notes for Editors

Glencore is one of the world's largest global diversified natural resource companies and a major producer and marketer of more than 90 commodities. The Group's operations comprise around 150 mining and metallurgical sites, oil production assets and agricultural facilities.

With a strong footprint in both established and emerging regions for natural resources, Glencore's industrial and marketing activities are supported by a global network of more than 90 offices located in over 50 countries.

Glencore's customers are industrial consumers, such as those in the automotive, steel, power generation, oil and food processing. We also provide financing, logistics and other services to producers and consumers of commodities. Glencore's companies employ around 160,000 people, including contractors.

Glencore is proud to be a member of the Voluntary Principles on Security and Human Rights and the International Council on Mining and Metals. We are an active participant in the Extractive Industries Transparency Initiative.

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www.youtube.com/glencorevideos

GLENCORE

Baar, Switzerland
9 February, 2017

Preliminary Results 2016 Presentation on Thursday, 23 February 2017

We will be announcing our Preliminary Results 2016 on Thursday, 23 February 2017.

The Preliminary Results 2016 announcement will be screened by the Regulatory News Service of the London Stock Exchange and will be available on our website at 7.00 am UK.

Webcast
A live webcast starting at 8.00 am UK will be accessible at:
http://edge.media-server.com/m/p/4kxyfnoh

Dial in
Participants to dial in 15 minutes prior to the start time using the number / Conference ID listed below:

Local - United Kingdom: +44(0)20 3427 1919
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Free phone - Switzerland: 0800 345 602
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Free phone - Australia: 1800 027 158
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Password: 5185343#

Presentation
The presentation slides will be available for download on 23 February 2017 at 7.00 am UK time from our website.

Replay
An audio replay available for 48 hours
Local - United Kingdom: +44 (0)20 3427 0598
Local - Switzerland: +41 (0)44 567 1860
Local - South Africa: +27 11 019 7025
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Replay Access code: 5185343#

The webcast will be archived on our website within 24 hours of the presentation ending.

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Media			
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Pam Bell	t: +44 20 7412 3471	m: +44 77 3031 9806	pam.bell@glencore.co.uk

www.glencore.com

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www.youtube.com/glencorevideos

GLENCORE

Baar, Switzerland
24 July, 2017

2017 Half-Year Production Report and 2017 Half-Year Results presentation

2017 Half-Year Production Report

Glencore plc will release its 2017 Half-Year Production Report on Thursday, 27 July 2017.

The announcement will be screened by the Regulatory News Service of the London Stock Exchange and available on our website (www.glencore.com) at 07.00 UK time.

2017 Half-Year Results

Glencore plc will release its 2017 Half-Year Results for the six months ended 30 June 2017 on Thursday, 10 August 2017.

Arrangements

The announcement will be screened by the Regulatory News Service of the London Stock Exchange and available on our website at 07.00 (UK) on 10 August 2017.

Webcast

A live audio webcast of the presentation starting at 08.00 UK time will be accessible at: http://edge.media-server.com/m/p/sodbqoim

The webcast will be archived on our website within 24 hours of the presentation ending.

Dial-in details

Where possible, please dial in 15 minutes prior to the start time using the number / Conference ID below to avoid registration delays.

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Local - Switzerland: +41(0)22 567 5432
Free phone - Switzerland: 0800 345 603
Local - South Africa: +27 11 019 7015
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Local - Australia: +61(0)2 9253 5962
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Conference ID: 1870637

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Local - USA: +1 347 366 9565
Local - Australia: +61 (0)2 8014 7928

Replay Conference ID: 1870637

Presentations

The presentation slides will be available for download on 10 August 2017.

For further information please contact:

Investors			
Martin Fewings	t: +41 41 709 2880	m: +41 79 737 5642	martin.fewings@glencore.com
Media			
Charles Watenphul	t: +41 41 709 2462	m: +41 79 904 3320	charles.watenphul@glencore.com

www.glencore.com

Notes for Editors

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Glencore's customers are industrial consumers, such as those in the automotive, steel, power generation, oil and food processing sectors. We also provide financing, logistics and other services to producers and consumers of commodities. Glencore's companies employ around 155,000 people, including contractors.

Glencore is proud to be a member of the Voluntary Principles on Security and Human Rights and the International Council on Mining and Metals. We are an active participant in the Extractive Industries Transparency Initiative.

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www.youtube.com/glencorevideos

Disclaimer

The companies in which Glencore plc directly and indirectly has an interest are separate and distinct legal entities. In this document, "Glencore", "Glencore group" and "Group" are used for convenience only where references are made to Glencore plc and its subsidiaries in general. These collective expressions are used for ease of reference only and do not imply any other relationship between the companies. Likewise, the words "we", "us" and "our" are also used to refer collectively to members of the Group or to those who work for them. These expressions are also used where no useful purpose is served by identifying the particular company or companies.

GLENCORE

Glencore plc
Baar, Switzerland
30 November, 2017

Glencore investor update call

Glencore will host an investor update call on Tuesday, 12 December 2017.

The RNS will be released at 7:00am (UK) and the presentation will be released at 12.00pm (UK). The conference call will begin at 13:00pm (UK).

Details of the call and presentation material will be available on our website closer to the date: http://www.glencore.com/investors/investor-update-call-2017/

Please dial in 15 minutes prior to the start time using the number / conference ID below:

Confirmation Code: **7107181**

London, United Kingdom: +44(0)20 3427 1914
National free phone - United Kingdom: 0800 279 5736
Johannesburg, South Africa: +2711 019 7076
National free phone - South Africa: 0800 991 539
Hong Kong, Hong Kong: +8523071 3093
National free phone - Hong Kong: 800 905 743
New York, USA: +1646 254 3360
National free phone - USA: 1877 280 2342
Sydney, Australia: +61(0)2 9253 5963
National free phone - Australia: 1800 027 830
Zurich, Switzerland: +41(0)44 580 7216
National free phone - Switzerland: 0800 345 603

A replay of the call will be available on 12 December until 11 January 2018.

Replay Passcode: **7107181**

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Johannesburg, South Africa: +27 11 062 3065
Hong Kong, Hong Kong: +852 3008 0334
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Toronto, Canada: +1 647 436 0148
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Notes for Editors

Glencore is one of the world's largest global diversified natural resource companies and a major producer and marketer of more than 90 commodities. The Group's operations comprise around 150 mining and metallurgical sites, oil production assets and agricultural facilities.

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ompelling commodity mix

Leading producer of “Tier 1” commodities: copper, cobalt, nickel, zinc & thermal coal

“Tier 1” commodity outlooks underpinned by persistent supply challenges and robust demand

Best placed large cap resources company for the Electric Vehicle revolution

ash generative & unique business model

“Tier 1” Industrial Assets – sustainably low-cost & long-life

Marketing is highly cash generative across the cycle

2017 Marketing EBIT guidance of c.$2.8bn

2018 illustrative EBITDA of c.$16.2bn at spot/forward prices

ble and willing to grow our business

We define growth as growth in cash flows

Reactivating idled capacity when appropriate

Capital efficient brownfield options

Bolt-on acquisitions focused on existing commodities/geographies

Strong track record of investment

onservative financial policy

Optimal Net debt range of $10-16bn, Net debt /EBITDA < 2.0x through the cycle

2018 Distribution policy, in respect of 2017 cash flows, comprises fixed $1bn base distribution from Marketing plus a minimum payout of 25% of Industrial FCF

Prudent reinvestment and recycling of capital

ational free phone - Hong Kong: 800 905 743
ew York
ational free phone - USA: 1877 280 2342
ydney, Australia: +61(0)2 9253 5963
ational free phone - Australia: 1800 027 830
urich, Switzerland: +41(0)44 580 7216
ational free phone - Switzerland: 0800 345 603

replay of the call will be available on 12 December until 11 January 2018.

eplay Passcode: 7107181

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ong Kong, Hong Kong: +852 3008 0334
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ew York, USA: +1 719-457-0820
oronto, Canada: +1 647 436 0148
ydney, Australia: +61 (0) 2 9101 1954

or further information please contact:

nvestors

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+41 41 709 2880
n: +41 79 737 5642
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harles Watenphul
+41 41 709 2462
n: +41 79 904 3320
harles.watenphul@glencore.com

eneration, oil and food processing sectors. We also provide financing, logistics and other ervices to around 55,000 people, including contractors.

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y their nature, forward looking statements involve known and unknown risks and ncertainties, many of which are beyond Glencore's control. Forward looking statements are ot guarantees of future performance and may and often do differ materially from actual esults. Important factors that could cause these uncertainties include, but are not limited to hose discussed in Glencore's 2016 Annual Report.

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Accessibility

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20

152.22 LSE -21.84

Share prices are delay

GLENCORE

Glencore plc
Baar, Switzerland
25 July, 2018

2018 Half-Year Production Report and 2018 Half-Year Results presentation

2018 Half-Year Production Report

Glencore plc will release its 2018 Half-Year Production Report on Tuesday, 31 July 2018.

The announcement will be screened by the Regulatory News Service of the London Stock Exchange and available on our website (www.glencore.com) at 07.00 UK time.

2018 Half-Year Results

Glencore plc will release its 2018 Half-Year Results for the six months ended 30 June 2018 on Wednesday, 8 August 2018.

Arrangements

The announcement will be screened by the Regulatory News Service of the London Stock Exchange and available on our website at 07.00 (UK) on 8 August 2018.

Webcast

A live audio webcast of the presentation starting at 08.00 UK time will be accessible at: https://edge.media-server.com/m6/p/zruybfy3

The webcast will be archived on our website within 24 hours of the presentation ending.

Dial-in details

Where possible, please dial in 15 minutes prior to the start time using the number / Conference ID below to avoid registration delays.

Local - United Kingdom: +44 (0)330 336 9125
Free phone - United Kingdom: 0800 358 6377
Local - Switzerland: +41 (0)22 567 5729
Free phone - Switzerland: 0800 200 831
Local - South Africa: +27 11 844 6054
Free phone - South Africa: 0800 998 654
Local - Hong Kong: +852 3008 1527
Free phone - Hong Kong: 800 961 105
Local - USA: +1 929-477-0324
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Conference ID: 2785691

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Presentations

The presentation slides will be available for download on 8 August 2018.

For further information please contact:

Investors

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Ash Lazenby	t: +41 41 709 2714	m: +41 79 543 3804	ash.lazenby@glencore.com

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www.glencore.com

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Notes for Editors

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GLENCORE

Glencore plc
Baar, Switzerland
7 August, 2018

2018 Half-Year Results Call Timing Update

2018 Half-Year Results

Glencore plc will release its 2018 Half-Year Results for the six months ended 30 June 2018 on Wednesday, 8 August 2018

The announcement will be screened by the Regulatory News Service of the London Stock Exchange and available on our website at 07.00 (UK) on 8 August 2018.

Webcast

A live audio webcast of the presentation will now commence at 11.00 UK time, delayed from the previous scheduled time of 08:00 UK time.

Webcast

A live audio webcast of the presentation starting at 11.00 UK time will be accessible at: https://edge.media-server.com/m6/p/zruybfy3

The webcast will be archived on our website within 24 hours of the presentation ending.

Dial-in details

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Presentations

The presentation slides will be available for download on 8 August 2018.

For further information please contact:

Investors			
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GLENCORE

Glencore plc
Baar, Switzerland
21 November, 2018

Glencore investor update call

Glencore will host an investor update call on Monday, 3 December 2018.

The presentation will be released at 12.00 (UK). The conference call will begin at 13:00 (UK). Details of the call and presentation material will be available on our website closer to the date: http://www.glencore.com/investors

Webcast

A live audio webcast of the presentation starting at 13.00 (UK) time will be accessible at: https://edge.media-server.com/m6/p/97fmh4a3

The webcast will be archived on our website within 24 hours of the presentation ending.

Dial-in details

Please dial in 15 minutes prior to the start time using the number / conference ID below:

Confirmation Code: 6865955
London, United Kingdom: +44 (0)330 336 9411
National free phone - United Kingdom: 0800 279 7204
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Geneva, Switzerland: +41 (0)22 567 5750
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A replay of the call will be available on 3 December until 1 January 2019.

Replay Passcode: 6865955
London, United Kingdom: +44 (0) 207 660 0134
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www.glencore.com

Glencore LEI: 2138002658CPO9NBH955

Notes for Editors

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GLENCORE

Glencore plc
Baar, Switzerland
3 December, 2018

Glencore investor update call and management changes

Today, Glencore is hosting an investor update call at 13:00 (UK). Presentation slides will be available from 12:00 (UK).

Glencore is announcing the following management changes:

- Peter Freyberg appointed as Head of Industrial Mining Assets – a newly created position with oversight and responsibility for all of Glencore's Industrial Mining Assets.
- Gary Nagle appointed as Head of Coal Assets. Japie Fullard appointed Head of Ferroalloys Assets.
- Telis Mistakidis to retire as Head of Copper Marketing at the end of the year. Nico Paraskevas appointed Head of Copper Marketing.
- Stuart Cutler to retire as Head of Ferroalloys Marketing at the end of the year. Jason Kluk and Ruan Van Schalkwyk appointed as Joint Heads of Ferroalloys Marketing.

Further detail will be provided on the investor update call.

Details of the call and presentation material are available on our website at http://www.glencore.com/investors

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GLENCORE

Glencore plc
Baar, Switzerland
6 February, 2019

Preliminary Results 2018 Presentation on Wednesday, 20 February 2019

We will be announcing our Preliminary Results 2018 on Wednesday, 20 February 2019.

The Preliminary Results 2018 announcement will be screened by the Regulatory News Service of the London Stock Exchange and will be available on our website at 7.00 am UK.

Webcast

A live webcast starting at 8.00 am UK will be accessible at: https://edge.media-server.com/m6/p/26mzqvdd

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The presentation slides will be available for download on 20 February 2019 from 7.00 am UK time from our website.

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019 Half-Year Production Report

lencore plc will release its 2019 Half-Year Production Report on Wednesday, 31 July 2019. he announcement will be screened by the Regulatory News Service of the London Stock xchange and available on our website (www.glencore.com) at 07.00 UK time.

019 Half-Year Results

Ve will be announcing our 2019 Half-Year Results on Wednesday, 7 August 2019.

rrangements

he 2019 Half-Year Results announcement will be screened by the Regulatory News Service of he London Stock Exchange and will be available on our website at 7.00 am UK.

Vebcast

live webcast starting at 8.00 am UK will be accessible at:
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2019 Investor Update Presentation

EWS RELEASE
aar, 19 November 2019

lencore plc will host an investor update presentation on Tuesday, 3 December 2019 at 2 pm K.

rrangements

he investor update presentation will be screened by the Regulatory News Service of the ondon Stock Exchange and will be available on our website at 1 pm UK.

Vebcast

live webcast starting at 2 pm UK will be accessible at:
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ydney	Local	+67
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Notice of Preliminary Results 2019

aar, Switzerland
February 2020

Ve will be announcing our 2019 Preliminary Results on Tuesday, 18 February 2020.

he results announcement will be screened by the Regulatory News Service of the London tock Exchange and will be available on our website at 7.00 am UK.

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 live webcast starting at 8.00 am UK will be accessible at:
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EXHIBIT “B”

FINAL

Company Name: Glencore
Company Ticker: GLEN LN
Date: 2019-08-07
Event Description: S1 2019 Earnings Call

Market Cap: 31193.3469237
Current PX: 229.300003052
YTD Change($): -62.0499969482
YTD Change(%): -21.297

Bloomberg Estimates - EPS
Current Quarter:
Current Year: 0.24
Bloomberg Estimates - Sales
Current Quarter:
Current Year: 215311.063

S1 2019 Earnings Call

Company Participants

- Ivan Glasenberg, Chief Executive Officer
- Steven Kalmin, Chief Financial Officer
- Peter Freyberg, Head, Industrial Mining Assets

Other Participants

- Jason Fairclough, Analyst
- Myles Allsop, Analyst
- Liam Fitzpatrick, Analyst
- Sergey Donskoy, Analyst
- Sam Catalano, Analyst
- Unidentified Participant
- Sylvain Brunet, Analyst
- Ben Davis, Analyst

Presentation

Operator

Good morning. Welcome to our First Half Results for 2019. Thank you for joining us here today and by webcast. This morning we have CEO, Ivan Glasenberg; our CFO, Steven Kalmin; and our Head of Industrial Assets, Peter Freyberg. I'll hand over to Ivan to commence the presentation.

Ivan Glasenberg, Chief Executive Officer

Thanks, (inaudible) Okay. Good morning. Okay. To give you a summary of the results for the first half, as you can see, EBITDA is $5.6 billion, which is down 32% from the previous half last year, would be $5.9 billion pre the $350 million which we mentioned during the production results in respect of the cobalt loss on the mark-to-market on the non-cash part of that. Cash generated by operating activities before working capital changes is $5.4 billion, which is down 21% from the previous half -- first half of last year. And net CapEx -- cash flow is to $2.2 billion.

The ramp up development assets, which we all know about and talk about, which is Copper Africa and Koniambo, has weighed on our earnings, and that created a negative EBITDA $0.4 billion during the first half of the year. These assets offer significant upside when we hit steady state of production levels. And as you know, with ramp up assets you always have these problems and we continue to have these problems in both Katanga and Koniambo. But that's why we have Peter Freyberg here today, and he will take you through the process and where we are getting on those two very important assets to the Group, which will be major producing assets, both nickel, cobalt and copper which will be -- generate for the future battery -- car industry.

We have a strong cost position for our key commodities. And if you look at the first half cost performance on these key commodities, if you just look at copper alone, excluding the African copper, production cost of $0.72 per pound. And as you know, that is extremely low compared to our competitors, et cetera. So, we're really at the low end of the cost curve on those assets. And those are long-term copper assets.

Bloomberg Transcript

Looking at Zinc, you can see our costs are low $0.03, including the gold credit. Excluding the gold credit, $0.40 per pound. Nickel excluding Koniambo, once again one of our ramp-up assets, $3.29 per pound. And thermal coal, our average cost across the board of $46, which leaves healthy margins with the coal prices during the first half at $32 margin.

Marketing, as we always say, a diversified part of our earning activity, it's a constant earner, we always said even in difficult times, it's between $2.2 billion to $3.2 billion. And as you'll see in the first half of the year there it's $1 billion, is down 35% on the previous first half. But if you exclude the cobalt, and we've explained this situation of the cobalt where we transferred the cobalt from the mine into the trading operation and we took it at the market price at the time and thereafter we go to mark-to-market, but if we exclude that we would only be down 13% on the marketing during the first half.

The balance sheet, in extremely strong shape. And as you know, we have tried to operate with a much more conservative balance sheet. And all our debt facilities have been renewed in March, April, and bond maturities continue to be capped at $3 billion maturing every -- in each, and not more than that in any particular year.

The net debt of $16.3 billion, that's at the upper end of our target which we mentioned. We would like it at roundabout $16 billion, but that is off to the $1.1 billion of leasing liabilities which were recognized as reported debt during the first half of 2019 in terms of the new leasing standard accounting policies, we're going to capitalize the leases and you put the debt on your balance sheet. And that was previously treated as operating leases, but Steve will talk in more detail about that later.

Planning -- we're planning to reduce a healthy 1.24 net-debt-to-EBITDA ratio towards the 1 range, which we always said we'd like to keep it within the right 1 range. And we'll get it there, we believe, within the next 6 months to 12 months. And that's why we would like to keep it in the current, uncertain economic environment which we -- exist today.

Looking forward, full-year marketing adjusted EBIT is tracking towards the middle of our range, $2.2 billion to $3.2 billion. We should be within halfway that range. And that's the guidance which we believe we'll get. That's excluding the $350 million cobalt loss which we spoke about earlier.

Forecast industrial production is weighted towards the second half of the year and we will be increasing production in both copper, zinc, nickel, coal and oil. And that should increase the production in the second half of the year. And Peter will talk about where we're sitting there on the ramp-up assets to ensure we get those larger increases during the second half. Extensive operational and cost improvement initiatives are underway, and we think we're getting there in most of these assets. But once again, we will get more detail of that later.

Safety, year-to-date, it has not been good. We've had 11 fatalities at eight incidents that's not a good level. Most of these are at the focus difficult assets, but a lot of work is being put on that to improve it. We've restructured our HSEC and Human Resources teams. And we're reviewing the Group approach to safety, and that's another point that Peter will give further detail, how we are addressing these issues and what we're doing to ensure that we get zero fatalities at our operations around the world.

Integration of sustainability is a strategic priority of the firm. We act on this commitment through transparently reporting our performance and progress. And over the first half of 2019, we have released and published our Human Rights report, a new water report, payments to governments in 2018, declaring all the mines, taxes we're paying to the various governments and including part of our trading activities with government organizations. Sustainability Report, Modern Slavery Statement Report, so those are the more detailed reports which we're releasing within the Company and continue to do more of that going forward.

So with that, I think Steve will talk about the financial performance of the Company and -- in more detail how we performed. Thanks.

Steven Kalmin, Chief Financial Officer

Thanks, Ivan. Thank you all here this morning and for those that may be listening in on the call as well and through the webcast. Just on Page 6, a few of the headline financial relevant details as well. I'll get into more detail on some of them going forward. But unfortunately, we don't have iron ore, so hence you see this picture as opposed to some of our -- some other industrial mining companies that will be showing year-on-year improvements, as we go through.

I'll show the various -- variances down the track, as Ivan said, $5.6 billion/$5.9 billion, reflecting the $350 million cobalt down 28%, the commodity -- lower prices for our basket of commodities was the main drag during this particular period, particularly coal and cobalt. And obviously, we've made some moves in terms of cobalt with the announcement of Mutanda role, so I'm sure there'll be questions on that later on, and Peter will talk about that and trying to arrest the lower price environment and the oversupplies we've seen in that particular market.

Marketing, Ivan has spoken about that as well. I think pretty solid performance outside of cobalt, which has been well flagged during the last six months to nine months as well. I'll talk about then on the marketing side. I think the middle right-hand side is quite relevant. I put that up -- something you may not normally see, cash generated before working capital changes, as a more -- as a better cleaner proxy for the cash flow generation in this particular year -- well, this particular period, which a -- irons out the non-cash elements of the cobalt and the like. So, you can see that only down 21% compared to maybe 30% down in EBITDA. And it also normalizes or avoids the mismatch in our tax payments in this particular period during H1 2019, which would affect the funds from operation number there, $3.54 billion.

We did have some catch-up taxes that we had to pay in respect of 2018 earnings, particularly Australia, a little bit in DRC as well. You'll see that on page 30 of our financial statements. We've had a tax liability $1.1 billion at the end of last year, it stands about $500 million. So the overall funds from operation, reflecting both interest and tax, should normalize going forward, as that lag effect of tax now works its way through the system.

But the $5.4 billion, despite all those commodity prices, in spite everything that we've come through and some volume weighted more to the H2, a 20% odd reduction in that, has driven a pretty good cash flow generation performance. And we'll look at the net debt movement as we work our way through the system as well.

CapEx is a slide on that later on, but that's tracking well within our annual guidance of around $5 billion, with $2.2 billion at the half-year. Net debt, as Ivan said, obviously impacted by $1.1 billion of the lease standards, that's a standard that's been brewing for a while around effectively converting all lease type obligations, including for us it's not just about -- certainly within the Industrial and maybe a handful of trucks and a few other pieces of infrastructure that may have been there, but it's also affecting some of our chartering commitments, shipping leases and these things, which may present themselves.

So $1.5 billion -- I mean $1.1 billion for businesses of our scale and diversity is a relatively a small number, I would have thought, against what people may have thought would have presented itself there. And $4.7 billion of distributions this year and continuation of the base distribution plus the buyback of $2 billion.

So weighted, things present themselves within both the -- both Industrial and then we'll get to the Marketing component. This is the largest component. We're just a warm-up for the keynote speaker later on, Peter Freyberg, who will be talking later on through the business. A big part of Glencore's overall portfolio clearly resides within his -- with his mandate, and he will go into and stress the work that's happening and obviously confidence in the -- and the pathway towards going from negative cash flow around Copper Africa, Koniambo towards a quite material positive cash flow during the next 24 months.

But the base business outside of that, I think if we look at some of the numbers on the extreme right in terms of EBITDA margins there, they've held in and they're very strong cash flow margins reflecting the competitive cost bases that we have within those particular business. So, Copper ex-Africa 52% margin, unchanged from where it was previous year, obviously dragged down overall with copper Africa itself. Zinc held in pretty flat as well including byproducts that we have within that business. Nickel as well, that will -- is somewhat volume weighted. We'll see a big tick-up in the nickel business as we go the full year. So those EBITDA margins would be expected to increase. And coal has held in at about 40% as well.

So of course, commodity prices, I'll show the bridge on the next page, has been the major variance period on period, maintained strong cost performance and margins within our base business. And clearly Copper Africa, it's not just about prices. It's also cost -- huge cost pressures that we've faced, particularly in this particular period. Some should be temporary, around regional pricing structures, around reagents, consumables, asset price and the likes.

I'll talk about that later on as well. That's -- also reflects the current margin pressures and sort of economic situation of Mutanda. It's not just about pricing in Texas, like it's also asset prices and consumables in the region as well. And coal we've been able to hold pretty flat for the year at around $2.1 billion, a little bit lower on pricing but offset by additional volume contributions from some of the acquisitions we've done in the last a couple of years.

If we do look at that -- just the industrial bridge, the biggest bar by far will be the price at $2.2 billion, half on half. We've shown some of the price reductions, obviously cobalt at nearly 60% period on period six [ph] out there as well. Coal in its various guises, mostly thermal coal, across both the Atlantic as well as the Pacific. What's missing as well is lead was also down 20% affecting the zinc business, quite a lot of production in lead as well and increasing our position there.

What made up the $2.2 billion, about $0.5 billion was coal. On the pricing impact, $1.8 billion was then metals and of that Copper Africa itself was $0.8 billion, of which $0.6 billion -- $600 million was cobalt, so by far the largest impact there. Zinc-lead was about $0.4 billion, most of that -- half of that in Australia. Nickel $0.2 billion, including some cobalt; and other was -- the rest was copper and some chrome as well. Hopefully, some of those commodities we'll see some improvements going forward.

Cost was largely nothing period on period, obviously some ups and downs but largely offset each other. FX provided some relief, and Australia, South Africa and Canada were some of the bigger examples of that. That is providing additional tailwinds as we speak at the moment. And I'll go through a bit of a mark-to-market at the end. We cut the books off at the end of July for our 12.8 current spot. If we mark today, it's not very different from that. There has been some metal price reductions, but equally today you've got the rand close to 15 [ph], big benefits to our chrome and nickel businesses down there. You've got the Aussie dollar dip below 67 or so overnight. And the oil prices, which is a big consumer in diesel going into our various businesses.

And we've segregated for you just the cost volume impact of Copper Africa and Koniambo. It's not the price impact, which was a negative 400. A lot of factors are feeding into that and Peter can cover those in more detail later on. But we've almost -- on Katanga which feeds in there, we've had almost no cobalt sales. We're still working through the uranium issue. We are producing but we're not selling the cobalt. We'll eventually be -- sell that, will manifest itself within that particular variance. The reagent cost through asset line and the likes, and I'll talk with how extreme some of those movements have been. Extra maintenance also carried out at Mopani, particularly through the smelter.

The first period of the DRC mining taxes also having come through effectively -- was effective around 1st of July, 30 June, last year. So, we didn't have any of that in the first half of 2018. All that's come through the first half of 2019, so big increase there. And of course, at Mutanda we've had some lower copper volumes come through.

So how does that look in a slightly different way of industrial contribution, cost developments and volume developments? We've provided on page 42 -- later on you'll see some of the detailed bridges between some of our guidance, expected contribution in EBITDA for the first half compared to actual. And I would say we were across -- broadly in line on Zinc. Nickel a little bit behind on mostly unit cost to byproduct credits.

Coal, we would have been a beat on some costs to do with currency as much as anything else. Copper would have been amidst around costs in particular, where African in particular has been a large drag as you can see through the bottom right. Hopefully that drag has peaked around sort of maximum cash flow consumption within those businesses. And we'll look to restore those to -- increasingly to breakeven through paying for themselves and after delivering [ph] a significant cash generator as we go through. So in the $1.3 billion copper, $1.6 billion was ex-Africa, $0.3 billion negative on Africa. And the unit cost, whether you look unit cost ex-Africa or including Africa, the low cobalt prices was clearly a major effect.

To give you some sense of cost pressure within that business which would have affected both Mutanda and Katanga, asset prices for the -- were up 31% period-on-period. And we consumed a lot there, and that was one of the catalysts for obviously building our own asset plant there, which we should have up and running through the first half of next year. Once we've got the asset plant up and running, the pricing will be a -- it would drop to one third of current prices. That's the sensitivity that we have. So, there is a 35% increase in asset prices. Line prices were up 75%. These are some key priced consumables within those particular business and also through the genesis of the power upgrades of the (inaudible) and the transmission lines, you've still got a period where we're having to have a mix of some imported power into our business as well, which is twice as expensive.

We should be -- within the next few months, we should be able to function within DRC a 100% on domestic power situation. So, you could double power prices on about one-third of our power to be imported at Katanga during the period as well. Within zinc as well you'll see partial timing differences during the periods on some buildup in inventories. We had 59,000 tons lower sales against production within the zinc business as well, which -- we should catch-up some of that as we go through.

Within the Marketing, Ivan obviously touched on this, very strong performance on the energy side. Oil was a -- was the standout over there during the first six months, a very strong performance year-on-year. Coal, actually weaker year-on-year, somewhat offset by a particularly weak Atlantic Basin around competition with gas, carbon taxes and the like, which we can both demand in the general structure of that particular market. All these things should turn around obviously at some point.

2018 I would categorize as a very -- as quite a tough benchmark of relatively high watermark, both within the metals and in aggregate at 1.5. Annualize that, you're very much at the top end of our range as well. And even last year, as much as we're 1.5 at the beginning of the year, we closed more around 2.5. So I think for a full year, tracking against last year and tracking comfortably within our range as well.

What's somewhat lost in all this, which is just worth giving a little insight into that other color at the bottom, is our business, which really is a share of net income now, which was peanuts for the year around $20 million [ph]. There is a share of net income after interest, after taxes, after some big amortizations on some revaluations of that business, was done based on sales [ph]. The underlying business was actually at the EBITDA level was up 6% period-on-period.

So, quite a strong performance at the Glencore Agri business, meeting budgets within that business, which is pleasing after quite a tough 18 months or so period within that business. And that does herald the prospects of starting -- we haven't paid dividends out of that business since we set up the Glencore Agri JV a couple of years ago.

The prospects of dividends coming through into the future and obviously increasingly material nature has improved and we should start being able to access that, subject to whatever their own development and growth objectives may be. And that's something I'm sure none of you've got in any of your models necessarily as we go through. That would feed itself through into cash flow, FFO and the likes as we work through. So, don't forget about Glencore Agri. it's still bubbling in the background. It's actually performing quite well during the first six months of this year.

CapEx, very little to say on this other than as you're aware, full-year guidance still unchanged at the $5 billion and the $4.8 billion or so average over the next 3 years. Bottom left is a sum of the projects being worked on in the respective businesses. In six months' time, we'll come back and just update on what the production profile then looks like over the next two years to three years as well.

So tracking obviously just $2.3 billion, if currency stays where they are, as I said, that provides a bit of a tailwind, not just at the OpEx line but also CapEx, because the amount of CapEx today is really capitalized OpEx around anything you spend money that has an enduring benefit beyond 12 months. A lot of underground development across the business, all the stripping and the overburden removal. It just gets capitalized as part of these numbers as well. A lot of that spend is in Aussie dollars, it's in pesos, it's in Peruvian, it's in rand, it's in these currencies. So, we haven't reflected that yet. In a real mark-to-market, if you sort of say we're going to show later on in the $12.8 billion mark-to-market, maybe we're $12.6 billion -- $12.5 billion at the moment, CapEx as well. Taxes and interest would be lower. It doesn't change the net cash flow.

Balance sheet, a few numbers over there. So, $16.3 billion net debt, around the top end of our range as well, influenced quite a bit by the new leasing standard, 1.1. Page 9 [ph] of the financials provide the full bridge between the periods from the cash flow generation, the CapEx, working capital, buybacks and some non-cash moments. Leasing effectively non-cash, and the assumption of some debt in a couple of the acquisitions we did as well, the Astron refinery down in Cape Town and took on about $2 million or $300 million of debt as well.

As Ivan mentioned, we are -- our long-term range is still the maximum 2 times through the cycle within the 10 to 16 with committed -- or noted about 6 months ago, to try and hover or be closer to the 1 times that still remains the nearer-term objective/ Looking to get there in the next 6 months to 12 months is not an absolute (inaudible) target. We'd just like the 1.24 to be heading south as opposed to North as we manage the business going forward as well.

Liquidity is very strong, freshened up all facilities, a good position there. Capital allocation slide is unchanged. Just a few points to note there would be the non-core targeted asset disposal still remains something we are working, progressing a range of options with the goal to deliver, as I said, still at least $1 billion long-term asset monetizations for the next 6 months to 12 months.

Just post-June, we've done a couple of 100 -- 150 to 200 of smaller things that have aggregated, many things -- I mean even there was a close of a small Brazilian iron ore mine, Ferrous Resources, which (inaudible) abroad, we had 3.5%, 4% of that. That generated $30 million, $40 million the other day. There are some vessels, some shipping that we've accumulated over the years. We're monetizing some of those. There's potentially a $200 million there. We're halfway through that process as well. Some US infrastructure still on the West Coast of the US is something that we're looking to progress. We're looking at potentially getting out of the upstream business in Chad. There was some noise on that. So, process on the go there. And just long-term loan monetizations is also something I would put into that. We have some longer prepayment structures to -- that have been at levels higher than we think that they make sense to be in a long-term fashion. I think there's going to be some reductions there, all of which could look to meet the $1 billion target and reduce debt accordingly.

So if we can now get into the building blocks for a spot or a 2019 type number, we're on page 15, let's skip quickly to page 16. I think it's quite important on the -- which is the volume and some of the weighting from H1 towards H2. So, we've shown actual production guidance for 2019 for our expected commodities. We're going to see a pickup in copper ex-Africa of 75,000 tons. So, we've 5 -- 475 kt first half, you can see. So, that means mathematically 550 kt in the second half.

Where is it coming from? Collahuasi will bring about another 20,000 extra tons period-on-period, a combination of grades and timing of maintenance and the likes. And North Queensland, which is where we had severe flooding impacts across our Mount Isa operations, where effectively you had six weeks to eight weeks of no product moving towards the refinery, that can pick up 30,000 tons and then some other bits and pieces.

Zinc, you've got quite a big increase H2 on H1 as well. To meet 1,195 kt you're going to have to do 659, an extra 100,000 or so. Kazzinc will bring about 20,000 tons. Again, that was to do with timing of treatment of third-party material and some safety stoppages that we look [ph] to Isa again, which is Lady Loretta as well as George Fisher will bring another 30,000 tons. Some of it's just ramp-up of Lady Loretta, has also to do with the North Queensland flooding and the entire system being down, McArthur River as well, generally due to seasonality and where they tends to have a better second half as well.

Nickel will also pick up a lot, 73 H2 over 55, hopefully delivering those tons in a better nickel price environment, which is one thing that has responded quite well. It's not just Koniambo is it -- as Peter will talk to later on, that's less than half of that, but you've got INO Canada, again maintenance shuts and Murrin itself through a maintenance shut that was shut through most of April will bring another 4,000 tons or so.

So Nickel is the biggest, at least in percentage terms and in absolute terms, it's looking to go from a $100 million or so in the first half towards $700 million or $800 million EBITDA contribution. Coal will bring an extra $9 million tons second half. Colombia, Australia, South Africa, all contributing bits, some of it M&A, some of it timing. And then the oil is quite a big step-up to Chad, results of drilling program that we have down there.

So, all of that does explain quite a bit as we then go back to page 15. Where are we in a full year sense? Maybe right to left, coal $3.9 billion full year, that's a slightly lower second half, reflecting macros, coal prices and the likes, so $2.1 billion first half. But we're do getting better volume. It does reflect the -- a lot of fixed pricing that we already have within that business. And some updates, whether it was yesterday or last week that we did -- this was of last week, the coal team is pretty confident that, that's still in where they project that business roughly to finish for the full year as well on the coal side.

Nickel is the big jump, as I said, $0.7 billion, up from 100 [ph], which is really a function of volume coming through in Canada and Australia, and Koniambo being less bad hopefully in the second half than it was in the first half as well and high nickel prices, all of which is -- in fact even nickel price you mark-to-mark, that today can add another $100 million potentially on to that as well.

Zinc will be pretty much as it was, $1.9 billion for the full year, $0.9 billion plus $1 billion. Higher volumes coming out of zinc, macros have taken that down clearly a bit, but also we produce a lot of gold and silver within that business which has increased 10% to 15%. So, don't forget some of the precious byproducts that we have as well coming through. And copper is -- it goes from $1.3 billion to $3.1 billion, so $1.8 billion. Africa is broadly the same, 0.3, another 0.2 maybe in the second half. There'll be a step-up from the rest and that's North Queensland Collahuasi and cost generally still looking good in the rest of the business as well.

So putting all that together in a -- what is the cash flow generation, what might be the prospects and the equitizing and the debt movement and the shape of everything going forward, adding all that together, marketing at the midpoint of the range, you've got $12.8 billion EBITDA at the spot, slight recovery from the $6 billion or so pre-cobalt this year.

CapEx still at $5.1 billion this year, maybe there is some -- there's a bit of buffer in there. We'll see how we go on the CapEx and that's cash tax and interest on a more normalized basis as well as we seek. So $4.8 billion of cash flow, we've given all the building blocks of that. I think the big bold figure, and that's a good segue eventually into Peter's presentations, will be the free cash flow temporary -- temporarily impacted in that $4.8 billion to do with African Copper, which itself -- Mopani, Katanga is running negative around $1.2 billion in this particular year.

So you've got about $0.5 billion negative EBITDA and about $0.7 billion of CapEx as part of our $5 billion. So, you're $1.2 billion negative and with steady-state production and plans accordingly, we should get to comfortably more than $1 billion of positive free cash flow out of around $1.6 billion of EBITDA. Those two businesses two years down the track are not particularly heroic assumptions we've used 6,500 forward copper and 15-pound realized copper to -- realized cobalt to derive. So, there is a %2.25 billion cash flow turnaround story, which is clearly -- the first thing is just to stop the red which will add $1 billion or so and then to deliver the positive cash flow, and that's the big potential as we have going forward there.

And to give some bit more in-depth analysis behind that and hopefully the confidence that the plans can get there, I can hand over to Peter at this stage. Thank you. Peter?

Peter Freyberg, Head, Industrial Mining Assets

Thank you, Steve. Thanks very much, and good morning to everybody. So I'd just like to introduce myself. It's the first time in this form [ph] with Ivan and Steve. Peter Freyberg who heads up Industrial Assets within Glencore. I think you're all very familiar with the commodities that we manage. And my role is to manage the Industrial Assets that fall under those.

The overarching strategy for the way that we run the business really remains the same, in the sense that each commodity department working together with their marketing and trading leads establishes strategies for those businesses that are appropriate for the markets that they operate in, whether it's in terms of volumes or the types of products that they produce. And my role within that is to make sure that within the Industrial side, we have the right structures and strategies to deliver what we need to deliver; also looking across the business, making sure that we have the right capabilities and skills and systems to make sure that we deliver what we say we're going to deliver in a

reliable fashion.

The intention certainly isn't with establishing this new role to build a large overhead in the business. The intention is to make sure that each of these commodity departments can do what they're designed to do and deliver what they have to. At this stage, I have a very small team working with me, principally today on HSEC. We've also got some people working on Operational Excellence projects and Systems Development, most of which at this time of have actually been parachuted into assets where we need them. So, it is rather a small team and the intention is to keep it that way for now.

Part of what you see there as well as the fact that we do have technology groups with Glencore Technology working underneath the copper department and Expert Process Solutions, XPS, working under the nickel department. And although they fall underneath those specific commodities, they work across the business in terms of support. And this year in particular, they've been of great value in terms of the way that I've used then in areas where we've needed them.

So just talking about that and just quickly looking at what is happening in technology, there tend to be a focus on some of the challenged assets that we have and we are going to spend most of this morning talking about the challenges and how we're addressing those. But Glencore does have a technology capability in minerals and metals processing, and we've been doing it for a long time. And it's quite interesting to actually see that 22 of the 26 ICMM members actually are using our technologies that we've developed, whether it's IsaMill or IsaSmelt or processes that are developed by XPS.

We are seeing -- and the philosophy and approach going forward will always be the right technology applied in the right applications for the right purpose. And we do make sure that the underlying fundamentals of the business are right to support the technology applications that we do. We're seeing some of these process rolled out to businesses today. I was at one of the assets in Kazzinc where we're seeing some of the work on atmospheric leaching with some of the more complex lead/zinc course [ph] there. And certainly, in terms of support, we're seeing a lot of work in the challenged asset.

I've spent most of the last several months actually traveling around and trying to kick the tires and meet the team. The fact is that there are over a 150 assets across Glencore. We are a highly diversified business, both in terms of commodities and geography. That presents some tremendous opportunities for us and is a big part of the value component of the business.

I have managed to cover I think most of the South American copper and zinc assets. Not that long ago I was up at the nickel assets late last year having a look at what's happening in Canada. I have sampled the alloys -- assets in South Africa, looking both at (inaudible) smelter and to the vanadium works that we're doing there. And I've obviously spent a bit of time at Koniambo and Kazzinc. But also in that time, I've probably spent -- I've probably had about five or six visits to both the Congo and Zambia, which is areas that we have a lot of work going on at the moment, as Stephen, Ivan, alluded to.

What I have seen across the business is some excellent in terms of some of the assets and the way they operate. We've got some world-class mining practices and safety practices and some of the best processing operations that you get anywhere.

We have a very dedicated team across the business, a lot of driven people as well. We do have -- some -- normally areas that do need addressing, and perhaps one of the things that I have seen is that there remains that strong correlation between safety performance and operating excellence. So generally, where we have safety issues we probably have operating issues as well, and that's certainly been the case in Africa.

The focus assets at the moment, what I'd like to talk about today is what's happening in Copper Africa and also the work that we're doing around Koniambo to improve performance there. Just starting off in Africa, Mopani we had absolutely horrible start to the year and in the first few months, we've actually had six fatalities at the Mopani operation incurred in three incidences and resulted in us actually suspending the operations and bringing in a team -- a very large team to try and help us understand what had gone wrong there.

The fact is that Mopani two years ago has operated fairly well at -- and had improved its safety very markedly. But in the recent history, it has lost control of that. We have got a team. We've made tremendous progress. And I'll talk you through that a bit later. But it wasn't just the underground and the safety. We also had a shutdown of the smelter. As you are aware, in June, we shut the smelter down and we brought forward re-bricking of that smelter that was actually scheduled for next year. So the second half of this year, essentially there is no metal production at Mopani. And we're looking to start it up and ramp it up towards the end of the year.

What I can tell you is that we have made progress with the safety. We do understand how we want to operate the mine. We've got the right people doing the work right now. And we have a plan and we will be able to take that forward and get to the production levels we've invested for what it's supposed to do.

Katanga -- excuse me, last year Katanga was in ramp-up mode, it produced 150,000 tons of copper. And we had indicated to the market earlier this year that we were targeting around 285,000 tons. But as we ramped up, we've identified some bottlenecks, some maintenance backlogs, and we've readjusted that plan to the point where now we are expecting to get around 235,000 tons this year. Obviously there are issues and there have been challenges with the cobalt qualities and the cobalt production. As early as February this year, we'd already identified solutions that didn't require the IX [ph] plant. So, we started producing on-spec cobalt at a -- at perhaps a lower quantity than we would like. But we are progressing those plants and then ultimately we'll build an IX plant there to make sure that we can deliver fully.

But again, this is not a particularly large operation. It's certainly being ramped up and has all of the normal ramp-up issues you would expect. But the plans we have in place and the team we have in place will enable us to get it to the 300,000 tons per annum, copper 30,000 tons, Cobalt at a sub $1 with byproduct credits cost of copper.

Then talking briefly about Mutanda, you will see in the announcement this morning, I'll just take you through some of the issues there and how we see its future playing out. But we are transitioning that to a care and maintenance phase later this year and it will be shut before the end of -- or at the end of the year. And then on Koniambo, we had a tough -- a very, very tough, a very difficult first half. We produced under 11,000 tons of metal and we were certainly targeting significantly more than that. So, we fell short by 8,000 tons, 9,000 tons of what I would have liked to have seen come out of that operation.

But there are some things that we understand in terms of the fact that we ended up taking both furnaces down during that first half. We continue to have some power problems, but we are working through these. And we've got three initiatives running there at the moment. That again makes me reasonably confident that we can get that moving forward and that we can have a business, say, that delivers reliably what we invested for and what we designed it to do.

Looking at -- focusing now at Katanga and Mopani, Steve would have taken you through the numbers of where we are and where we possibly could be. Certainly the first half this year, with only 109,000 tons of copper and 6,000 tons of cobalt at Katanga. You end up with very high unit cost driven by two things obviously, one is the denominator in determining that, but also very high input costs. And when you have these huge asset prices that we've seen and these increases in the asset prices, and we're importing asset, as we indicated that supply is [ph] going to be built next year, we're talking literally hundreds of thousands of dollars a day that we are paying for the asset that we could be saving once we run that ourselves.

The 109,000 tons -- we're targeting 235,000 [ph] tons. The chief bottleneck that we found this year was around the electrowinning plant. It's a very straightforward maintenance catch-up that we have to do there. So for us to start talking about 260,000 tons next year going up to 290,000 tons the year after that, we don't see major bottlenecks between us -- between now and then in terms of how we deliver that. I will take you through some of the work that we're doing across the different parts of the operation. But we are -- we do see 300,000 tons being quite achievable, 30,000 tons of cobalt, as a long-term steady life of mine. In fact, in the short term we may exceed that tonnage because of the grades in the areas that we're mining.

There are certain costs-out that required and you would have seen that in the notes to this page to get to the 165 (inaudible). We've been through very detailed processes to understand our business and we have already identified very

significant costs-out that we can take through diagnostic phase.

Mopani; Mopani is -- the numbers in the first half are just the unit cost is where it is simply because there are now [ph] tons there and certainly for the year it looks worse as we won't be producing in the second half and we're carrying all of those costs. But it is -- we are in a phase where we are rebuilding the smelter and we have the right work happening on the mind. And we are positioning for a restart next year. There will be a small shutdown in the smelter next year to do some work that we couldn't bring forward to this year. But the smelter will be operating from the start of next year.

We should be able -- over a steady life of mine. And you can see that we've got two different levels for Mopani there. We believe that 140,000 tons is a doable proposition. We have the hosting capacity. We are building a new concentrator. Smelters oversee -- can easily accommodate that. In face we continue to smelt other people's concentrates as well. So 140,000 tons plus some additional tons if we optimize the underground the way that we would like to. And that's swings us long-term term to a positive $300 million EBITDA out of that operation at this -- prices that Steve was indicating, the $6,500 copper. That would put both those African assets around $1.6 billion, and obviously you've got to allow for some tax and capital. But as we indicated this year, the cash position out of those two assets alone is in the order of minus $1.2 billion. So well in excess of the $2 billion turnaround is what we're looking for there, which is an achievable proposition.

So just -- I'm just looking at Katanga. We implemented review amongst other things when we started to see that we're struggling. But certainly, part of my role in coming into this position was absolutely clear that -- so we had some focus areas. Across the business there's a crystal clear understanding that turning these two assets around, Katanga and Mopani, and then on top of that making sure that Koniambo delivers is probably the highest value thing that we can do in Glencore right now.

But Katanga obviously also started to show the stresses and strains of the low cobalt prices and wearing the increased taxation coming out of Mining Code 18. And then with the increase in the input costs, whether it was lime or acid, brought this business under particular pressure. And it's -- certainly as an operator, sometimes those things are good for having a good look at your -- at the operation to understand what we can do better.

The thing that pleased me is that we decided to address it by utilizing in-house expertise to a large extent. We've brought in some of our mining specialists, and I think a lot of you know that certainly the business that I used to be involved in previously in Glencore, moving dirt is something that we do in very large quantities. So, the coal business moves around 3 billion tons a year. And bringing in expertise to understand how we can mine and sequence and plan the mining operation better, we had people that were available.

And we've done a very full and detailed diagnostic. I'll take you through some of the work that -- and some of the findings that we had and we have to do to take the mining forward. But it's not particularly a big mine. It's in difficult conditions in terms of the materials and the geotech and the higher rainfall levels and the groundwater that we have to deal with. But it is something that you can engineer your way through and manage your way through.

Processing relied very heavily on Glencore technology to come in and have a look at what was happening. And we actually see ourselves improving recoveries, getting electrowinning plants working to -- at an optimal position and getting back to the -- getting on to that 300,000 ton per annum trend. But for both of those activities, mining and processing, asset management will be key. And again, we've brought people in that we have in-house to work through that with us and establish the right asset management strategies and make sure that we're doing the maintenance, so that the systems and the equipment can operate reliably and deliver what we have to deliver.

One of the bigger levers that we've seen there is making sure that as a business we've got the right team and organization in place. And we've done a lot of work. We did get some external help with that to help us through the diagnostic and go through every single department and every single activity and every single function to see how we can address that and make it fit for purpose.

And we do see material savings coming through that area, but also we see some opportunities such as making sure that we're utilizing the national workforce to the best of capability. And we're at a stage now we're actually getting into the change management, certainly on the organizational side and going through the detailed plans prior to implementation

or as we start to implement. But the target remains to consistently deliver life of mine annual production of 300,000 tons, together with 30,000 tons of cobalt, hopefully well sub -- $1 a pound.

So just talking about the mining, excuse me, if we break the business down into its fundamental components, it's a mine and together with some processing and some maintenance, and you're got to have the right team managing it. We have gone in. We have opened up the life of mine plan, looked at it in detail, the quite high ratios at Katanga and making sure that you get the sequences right and the push-backs right, and you move the waste material into the right areas is critical. And we are well advanced for that work and that -- I think once we've got that in place that's fine.

To achieve that longer-term plan, we've got to get the pit working properly. And you will know that historically we've had geotechnical problems. The drainage in the DRC in that type of geology is complex with a high rate of inflow. But with proper design of the drainage system, pit bottom layout, getting the drill and blast right, setting up the truck shovel operations property, making sure roads and ramps -- and these sounds like pretty 101 stuff, they are, making sure those things are done properly, that the team understands what the expectations are, is what will get it there. So, making sure that you have pit management team that can deliver that.

We are well advanced for this work. The designs are there. The understanding is there. We've changed the drill and blast totally. We've moved diggers around from configurations where they shouldn't have been to where there should be. We've done a huge amount of work on the roads. So the productivity goes up, the costs come down, and the reliability is there.

On the processing side, there are key areas of focus. The acid plant, absolutely critical that we get that going as soon as possible. As a project, we have added additional resources to make sure that we understand all of the moving parts in that project and that we can deliver it as we're supposed to and that now we have a good understanding of the risks and we're tracking that very, very accurately. Quarter two next year, it will be in ramp-up mode and certainly by Q3 full operation.

Restoring the electrowinning, the setback this year was that. As the mine was developed, I think there was a -- perhaps a lack of focus on some of the maintenance in electrowinning plant. We've taken basically parts of that electrowinning plant down, refurbishing them, getting to the right standard and operating now. And it's looking very, very good. I was there just two weeks ago again, and the work is on track.

Cobalt, as you know, we identified a problem late last year with uranium in the product. Our immediate response was to look at putting an IX plant, which is ultimately the long-term solution in terms of cleaning that up. But by February, we had already identified that we could rejig the planning and the process and essentially brought some additional thickness and we started adding phosphoric acid. And we were able to drop out the uranium within that process.

We are still adding some additional thickness that we have to bring that to full capacity, and that will actually see us producing proper full recovery of cobalt by the end of the year on spec. And the IX plant will be brought in to fully clean that out and make sure that we can do it on a 100% basis. At the moment we tend to run on average in the lower '90s being on spec, so we do have the odd parcels that still aren't quite there. So, we will redesign that process, add the IX plant and make sure that the product that -- we produces exactly what the market wants.

In terms of the asset management, again pretty safe -- straightforward stuff. We do this exceptionally well in many parts of the business and it's making sure that we've got the right capabilities on site and the right plans and strategies on site and that the work is followed in the manner that it needs to. We do see in various parts of our assets where we aren't performing the way that we should and that obviously adds more to the costs, means that we aren't producing as reliably as we can and we have a straightforward plan that will sort that out in the future.

We are also leaning on the OEM somewhat to make sure that they work closely with us and participate in that and ensure that we're not forgotten in the long change that they have going into the DRC and that we have the right component through the right service levels from the OEMs. But there is nothing there that can't be sold on the maintenance side. So that's I believe well in hand as well.

On the organizational side, restructure and rightsizing within the business is something that we need to do. It's grown over the years. There are opportunities to address that and we're at the next at the change management stage. We've done the diagnostics. We've identified what is in the universe over the possible way. And we're now going through that change management process to make sure that we do the right things to the right parts of the organization to deliver what we have to.

There has been work done around the government side with SAP implementation. Today, we have a much better understanding of our numbers. Our procurement side has improved dramatically. We've got better control over the volumes and the cost of materials going into our business. And now that we've sorted the SAP out, the reporting and the details that we can manage by, or something that means that we can be efficient managers going forward. If you don't see the numbers, it's very hard to navigate.

And then partnering with key stakeholders, and this is fundamentally -- if we're going to be successful there, we've got to get a few things right. Certainly at Katanga. We have a partner and working very closely with them is fundamental to making that go -- making the business a success. But also, we have some very significant community and other challenges. And working with the government, both national and local, is key to solving some of those issues.

I think everybody in the room and everybody watching this webcast is aware that we had some very tragic events on the 27th of June with illegal miners in the operation where there were two collapses as a number of people were killed. This is a problem that is across a lot of operations in the DRC. We're working very closely with the government to try and find long-term solutions towards this. But at the same time, we are making sure that we control our side, that we've got perimeter controls in place, that we improve the security, and working with the community itself in terms of improving what the situation is there.

And long term, we will have a site where we don't get these sorts of invasions that we've been experiencing over the last 12 months. And that in itself brings a new stability to the business and allows people to concentrate on actually taking the business forward rather than dealing with some very, very difficult problems that we've had to deal with in terms of those invasions and the terrible things that can happen with them.

Just to look at some detail, and we don't normally share this level of detail with everybody that's on the other side of the business, but we have put together a very comprehensive plan for Katanga at this stage .And as I said earlier on, it's not a particularly large business in terms of the mining at 45 million tons a year of waste and we're feeding into the plant around 13 million -- 12 million tons, putting a bit on stockpile.

We are mining a little bit from the underground and that will ramp up over time. We're still thinking about how we right-size that. We want to get -- if we can make the open pit more efficient, we can get more economic pushbacks and we probably won't have to chase the underground quite as hard. There are some benefits to operating the underground at the moment in terms of asset credits. But we've done the detailed planning. We're running this option at the moment. We're very comfortable that we can get up to the 260,000 and 290,000 tons. The capacities are there throughout the system.

We will see increase in copper grades. Interestingly enough, some of the low copper grade this year is because of the artisanal mining. So we've lost copper and cobalt out of the mine because of those invasions that we've had. But there is a natural increase over the next couple of years anyway. So those -- that gives you the detail of the plan. We talk about the long-term 30,000-ton cobalt. As I indicated earlier on and foreshadowed, was that we'll actually go through that average mark in the next couple of years, but then settle long term around 2,500 -- 30,000 tons a year or 2,500 tons per month; and on the copper side heading towards the 300,000 tons per annum.

Mopani, we talked about the six fatalities, three incidences, very, very difficult situation. I've been to each of the sites and obviously spent a lot of time with the team looking at what we can do to turn that around. As with the other incidents across Glencore, and I will be talking later on about safety in general, absolutely unnecessary, none of those incidents should have happened. And it is the fundamental -- as an operator for 40 years, it's a loss of -- I tell you, it's a loss of control. And we can bring that back into control very quickly and sort that out.

We have implemented a program to -- but we did implement a program to identify the underlying causes and address those in an immediate fashion. We've brought in 23 persons that came from a wide range of places. And it's quite interesting, when you go to Mopani, the Mopani team actually refers to the Copper Brothers [ph], which are the (inaudible) to help them.

We're down to half a dozen or so people now that continue to work there. And it's -- the mood there is quite different. Everybody is very positive. I mean it's quite a challenge shutting a business for six weeks in operation. But after my visits and after having had a look around the mine, we decided that was absolutely necessary. The working conditions weren't something that we wanted to have or continue. And we have addressed that. And we've addressed it by changing the leadership for that business.

We've essentially taken up -- out the top two levels and replaced them. And the level below that we have totally restructured. And we are still going through a restructuring process to make sure that on a shaft-by-shaft basis we have the right people doing the right work. It's involved a lot of training and taking all 16,000 employees through a process to make sure that people understood what we expected and making sure that they understood that we would be working with them to get the right results.

So we are ramping up now. And although the smelter is down, we -- the mine is looking at a much better condition. We've got -- if you're going to the working places today, they're quite different to what they were -- what I found there four months, five months ago. We've started to shut down some of the old infrastructure. We in fact closed around seven shafts. There was announcement of two shafts because those are sort of the shaft complex working areas, central and north shaft. But we've actually closed down seven shafts, including some sort of verticals, taking out a lot of underground conveying systems and simplifying the operations. The impact overall on employees is that we are reducing the number by about 2,000. But as we start to commission the new infrastructure, we expect productivities to continue to increase.

And speaking of which, there is some great stuff there. I mean there is some three new shaft complexes. We've got the Synclinorium shaft, Mufulira shaft and Mindola shaft. Synclinorium and Mufulira are hoisting and are in ramp-up mode and they're excellent installations. And they are the future of that business. There is the 2 million ton per annum Mindola shaft, that should be finished sometime next year, and then we start ramping that up as well.

So, the basic infrastructure is there. We've got a concentrator that we're building. That will be finished sometime first half next year. So, we can then take out the old concentrator and it's -- be quite a different business to the one that was a couple of -- a few years ago. But to make it make money, we've got to mine the right stuff and we've got to do it the right way. So there is a very, detailed review of the mine plan that's on the go.

It's an incredible ore body. It's very large, very extensive, but what we are doing is making sure that we are mining the right ore at the right time in the right sequence, making sure our recovery of the ore body in those areas that we mine is maximized, eliminating the dilution that we're getting, reducing development ratios, again very much 101 stuff, but it takes perhaps a fresh set of eyes and the right tools to look at it to get us to where we need to go. It's quite a detailed piece of work that we're undertaking. And the immediate short-term gain we will hopefully see in 6 months to 12 months as we start to mine perhaps a bit smart in terms of how we tackle the ore body but actually having it bedded down, optimized life of mine plan, probably take a bit longer around 24 months. Within that, we will see our head grades improve. We are hoisting often and putting into the plant well below 2%, and the ore body can do a lot better than that with improved mining methods and selectivity and sequencing. So a lot of the kick we should be getting out of improved head grade at Mopani.

In terms of the plant, the acid plant and the smelter started giving us problems late in 2018 and certainly in the beginning of this year we were having a lot of outages, some driven through the acid plant, but we certainly saw it manifesting as accelerated brick wear in the IsaSmelt and we're also having problems in the matte settling furnace as well. And we've had to shut those down and had accelerated the re-bricking work.

But what we have done is we brought in capability out of our North American smelting business together with guys out of Glencore Technology to work with Mopani. And we now have a very detailed project to take there, for -- get it

rebuilt, but beyond that to work with the team when we re-commission to make sure that we are operating in an optimal manner and that we get maximum campaign life out of each of the re-bricks and that the acid plant does what it's supposed to do. There will be a small shutdown, as I mentioned earlier on, in the second half of next year and that's just focused on some of the work that we've been unable to bring forward with this unplanned shutdown that we're currently experiencing.

But in summary, for Mopani, the right mine plan underground, the right management processes and system, the right leadership, and running the smelter properly, feeding it with concentrate from our new concentrator, there is no reason why we shouldn't get to that $300 million EBITDA a year at all, no reason whatsoever.

Mutanda, you've really heard by this phasing we've done that we're coming to the end of the oxide ores. There is some left at the higher ratios, but it's not economic at the moment with cobalt prices and copper prices where they are and with acid and input prices where they are at the moment. So, this is the right thing to transition this into the care and maintenance phase. But we are working hard on the sulphide plant. The study show us that there is tremendous potential, there is in the order of 100 million tons of open pittable sulphide reserves with decent copper grades, 1.7, high cobalt grades of 0.5% of cobalt. So, we do see that as a strong option for the future. That doesn't mean that we stop looking around to see whether there are oxide ores within the area that we can develop and in some of the leases that we have as a potential alternative path -- second path to continuing to have value out of the Mutanda business.

But right now with prices where they are and having a cobalt market that is clearly over-supplied, this is the right thing to do. We've got to this stage after discussions with the government. There are obviously discussions with the site. We are going to continue to employ the national force -- the national employees in the operation as we go through the care and maintenance phase. We will continue to run the acid plant because there is a market for that asset. And we will use the opportunity to skill that workforce to make sure that when we do restart we can do it maximizing the number of national employees.

On Koniambo, this is the very [ph] one that we've had a very disappointing first half and certainly it was challenging for the team. We lost a lot of tons, a lot of metal through the same causes and the same issues that have been challenging us in the past. So, one of our larger losses, probably around 3,500 tons of metal was lost as a result of it, was because of issues we had in the power plants. But we've made real progress there.

Where we had previously cracking boilers, where we didn't have proper ash handling capability within those boilers, where we've had expansion -- issues around expansion joints, we've done a lot of work there and a lot of repairs and we've got those boilers to a condition where they are significantly more reliable than they have been in the past. And we're now and -- around in the second half where they are operating and they -- one of them has been operating very, very consistently enough for a couple of months. The other one we've just ramped up as we've taken a furnace out of shutdown. And again, all the indications are that we kind of have steady-state boiler -- power plant operations there.

We've continue to have some losses through shutdowns within the plant itself, and they come in different areas. We've had agglomerations in the fluidized bed reduction zone of the plant. We've had feed problems, we've had some problems around the hammermill flash dryers. But the team is very focused on engineering this outsource. We come across them, we identify solutions and we make sure that we -- as much as we can that we don't get a repeat of those.

And we probably lost easily 3,000 tons of metal in the first half against those sorts of issues, which we hopefully will see occurring on a less frequent basis. But in terms of how we manage it, we have put three initiatives in place. The first one is a new level of technical oversight of Koniambo. We've put in what we call a ramp-up control group.

This is based on successful projects we've had elsewhere across Glencore where we have a complex project, either because it's very large capital project or it has large technical complexity. And we bring in sets of experts, some internal, and if necessary some from the external world, to work together with the team. So they -- other than the fact that really do live on an island, they don't operate on an island and that they have a bridge to people that can assist them and help them prioritize the work that they're doing. And this is already showing I think benefits in identifying some of the things that we need to do to take that business forward.

But some of the issues we had are probably self-inflicted, so we've undertaken a study on the maintenance side and we've identified opportunities for improving the maintenance so that we plan the maintenance better, when we do it we executed it better and that it is -- that the outcomes we have from the maintenance is what we're looking for rather than that we have franked [ph] down shortly thereafter or repeat repairs and those sorts of things.

And then we've also brought in some people -- some resources to help us look through the costs because as much as we're going to ramp up the denominator and get the tons up, if we can take costs out of the numerator that will help us get to the sub $5 a pound that we need. So, those initiatives are being progressed. Steve did talk about about the second half, we don't have any major shutdowns planned in the second half. And it is now but reliable operations. And I think we are reasonably well positioned for it. This very complex piece of infrastructure will -- continues to give us some challenges. But I think we've got the right processes in place now to manage it better, more on the planning, more on the predictability of what can come up next, better quality repairs when we have to do them. And I think the power plants are in a lot better place than they were 12 months ago or even -- or 24 months ago, the coal-powered thermal generators. We should be able to get that right.

Safety, and I'm going to end on this before we go to Q&A. We had 11 fatalities. Copper we had the Mopani six fatalities that I talked about, we had one in the DRC, we've had three across zinc and one in alloys, which was a fall of ground. What we've done is -- and how we're addressing it is not overly complex, but is essential in terms of the work and how we go forward.

The first thing we do is we look for the corporate structure and the work that was done corporate in terms of how they provide leadership, how they provide direction, how they provide advice, how they provide assurance, and we have restructured and rejigged that team and we're still bringing in some additional resources. But it is a different style and different approach to what we've had with increasing rate of fatalities. Unless we do something different we're not going to change the result.

We've developed a very detailed plan -- strategy and plan for the business that addresses key areas, that -- and gaps that we've had, and that we've identified. And we are in the process now of cascading that plan through all of the departments and down to each and every one of the assets. Within that plan, we've also identified the essential for having safe outcomes. And as Ivan indicated, these are areas where we're getting these terrible, terrible results. We have many areas where we're getting great results. And leveraging off those areas and identifying what they do well and what works well and what really positions a business for long-term zero fatality outcomes is what we've made that element list of that strategy and plan. But having a strategy and plan and understanding the key elements is just the first step. And if you look there, you can see that the two areas that stand out obviously are copper and zinc where we have a lot of work to do. And even within that, it's not just one side, we obviously had issues at DRC and if we look back just beyond the first six months of this year, last year as well, some of these was copper and zinc. So, there is a full recognition that the structures and the staffing and the skills and the capabilities in those departments relating to HSEC side has to change.

And we're in the process of working through that with those departments bringing the right people in, putting the right systems in and making sure that the right work is done in the right places to deliver the safe outcomes that we need. Within that, we have to address the accountability model as well. And for the right accountability model, you do you need some process that governs those operations and is making sure that those strategies, plans and elements that we talk about has been key for that safe outcome, are in place and people are held accountable for keeping them in place and making sure they are there.

We are also doing some work around the assurance process. We have a very structured assurance process within the HSEC area. The expectation is that mature assets can manage themselves and there is a verification and other side process that make sure that's okay. But the less mature assets and the focus assets, we are injecting an additional level of assurance that is tuned to helping us understand what works, what doesn't work and whether controls were put in place and whether the management is being as effective as they should be to deliver what we need to deliver. We will get there. Thank you.

Ivan Glasenberg, Chief Executive Officer

Okay. Thanks, Peter. Just to give the outlook and bit of a summary where Peter took us and what we've done and Steve's results, but looking at the short -- the fundamentals -- and the short-term fundamentals going forward on the commodity prices. The short-term fundamentals, as I said earlier, still remain positive and supportive. If you look at the inventories of our major commodities, which we have -- which we produce mainly, the stocks are at extremely low levels.

So if you take LME, you take SHFE, you take bonded warehouses et cetera some of warfare [ph] LME material, you've got copper at 13 days supply, you've got nickel at 25 days' supply and you've got zinc at 6 days consumption. These are really low levels that we've seen over the years. So demand growth remains positive in most of these commodities. And as we've all seen, mine supply -- even us, as Peter has just gone through, we've got our ramp-up assets, our competitors all of the similar problems with ramp-up assets, you've seen what's happened on a lot of these new mines. So, they're all underperforming.

So even if you look at besides the inventories at extremely low levels, the other part is if you look at the deficits, if you look at -- take copper, for example, if you take new supply that's coming in the market this year or next year, you take the tons that are coming out of the market or they came out of the market this year, you've got deficits in most of these commodities in both copper, nickel, zinc in 2019. Going forward, in some of the commodities, zinc even next year there is a deficit, copper not a big deficit but, let's see, that's just actual production tonnages. But if you've got increase in demand to 2%, 3%, it will be hard to meet those tonnages.

Demand for high premium energy coal, the better quality coals which we produce remain strong even though in Europe in the Atlantic Basin it's not that strong, which we had with the low gas prices which affected the price of coal in Europe. But in Asia -- Southeast Asia, demand continues to increase. There's still new power stations being built in various countries in Asia and demand for the product increases. Supply in some of those countries, if you talk Coal India, you talk China, it's not meeting what they anticipated and therefore they're starting to import a bit more. So it looks like the import of coal into that part of the world will continue growing.

The long-term outlook, where we see the outlook and where it looks good for our commodities, we'll talk about electrification of mobility. And if you look at amount of electric vehicles that people are talking to be on the road by 2040, if you talk -- up to 620 million vehicles on the road, the amount of the commodities which we produce to produce the batteries which are required in those vehicles, the charging points which are required for copper, it bodes well for both copper and nickel and cobalt which we have. And as I said, I spoke about thermal coal, we still believe it's important for base load and with the demand growth in Asia we believe with a better quality coals, which we have, the outlook still remains pretty good for coal.

Looking at urbanization with demand growth for most of the commodities, both for early cycle, late cycle commodities, you have urbanization and the rising living standards, $2.4 billion people increasing in the world in the population by 2050, the demand for commodities will continue and even for coal, with the demand for electricity, coal still being baseload cheap electricity production is still going to be required in those countries. So it's clear and we can see with the commodities what is all -- and therefore with demand growing and whatever percent we agree it'll grow, whatever percent growth we believe will continue in China, putting new supply in the market is getting more difficult.

Social license to operate, we can see is, extremely difficult. We're going to more difficult regions to produce these commodities. And it's clear, with these commodities is volume, volume reflects the pricing we've seen when we had the disruption in iron ore. Look what happened to the price of iron ore with the disruption when we took some zinc out of the market and if you're not putting new supply in the market with new mines, which as I say, is difficult, even existing mines reducing tons, et cetera, it has a major effect on pricing.

But that's what I'm trying point out here, it's getting more and more difficult to put new mines into production. You're going into more difficult region, so it's getting more difficult to add tons into the market. And if demand keeps growing, it should bode well for the price of commodities going forward.

So, I don't want to talk much on this, just giving a summary. Really most of the stuff was -- we've got a compelling mix of assets. I believe commodity mix, we've got the right commodities. In this, mobility would transition to battery vehicles, electric vehicles. We are a leading supplier of high energy coal. Our business is well positioned, as you heard from Steve and Peter talking you through the operations. If you look at our operations, our cost of production and our forecast for the full year is extremely low, copper at $0.80, zinc at $0.10, nickel at $2.88. We're swinging to better production in the second half of the year.

Marketing tracking well towards the -- between mid-range of the $2.2 billion to $3.2 billion. Ramping up of our developing assets, I think Peter gave you a pretty good outlook how he's going to get this right, the work that's been done. And we feel very comfortable and he's made us all feel comfortable what we're going to do at Mopani, what we're going to do at Katanga, and Koniambo ramping up nicely. So, I think we will get those last three ramp-up assets which we're got in our portfolio performing well.

And we also shouldn't do site, if you look at it our existing assets besides the three ramp-up assets which we're focused on, we missed production targets, et cetera, our existing assets are all performing extremely well. If you look at our copper throughout the book performing well, if you look at coal around the world performing well, zinc performing well, doing very well in Australia. So our non-ramp-up assets are performing well and we're doing well in that area. And I believe in a short space of time -- Peter has given you the outlook where the volumes will be when the ramp-up actually is outperforming we'll have a great range of assets and I know we've got a lot of assets around the world, 150 sites, but we're performing well at most of them and when these ramp-up assets get there we'll be in a great position.

Balance sheet is strong. Steve took you through the balance sheet. Where are we looking? We want to take our net-debt-to-EBITDA down to 1 time, which is strong position. We believe we'll get there in the next 6 months to 12 months.

So, I believe the fundamentals are well for the Company going forward. We've got the right commodity mix. ISS [ph] will be performing well; strong balance sheet. So, things are looking hopefully well for the future. Thank you. Martin? You're taking -- okay. Let's go Questions. Yes, Jason? Martin...

Questions And Answers

Jason Fairclough, Analyst

Jason Fairclough, Bank of America Merrill Lynch. Just Peter, thanks a lot for the great walk-through on the path forward and the -- particularly in Africa. But could we just talk a little bit about how we got here with the -- particularly with the African business? I mean is this -- the word I've heard from you a couple of times up here is control. Is it just we didn't have the right people, we didn't have the right plan? I mean these -- on the one hand they're ramp-up assets, on the other hand they've been there for a long time.

Ivan Glasenberg, Chief Executive Officer

You can talk, he's reviewed it more. But all I can say, they've been there for a long time. Yeah, Mopani's an old asset. It's been there a long time.

Jason Fairclough, Analyst

Katanga is an old asset as well. And even at the time of the IPO, I visited Mutanda, I mean these are not new assets.

Ivan Glasenberg, Chief Executive Officer

Yes, Mutanda, you visited Mutanda, and Mutanda ramped up pretty quick to 200,000 tons and it got there pretty quickly producing 30,000 tons of cobalt, so Mutanda was a well performing asset. Unfortunately, Mutanda didn't have enough oxides and it performed well. Mutanda was giving us $1.3 billion EBITDA per year. We've got 3, 4 very good years at Mutanda. So, it did perform well, the actual plant.

Where we did -- the idea was to go into the sulphides later on, the oxides depleted quicker than we thought they were going to deplete, and we rather took the view, instead of moving into the sulphides immediately we'd rather do a better study on the sulphides before we go there. The cobalt price isn't helping us today, so why rush it. Let's be sure of we the mine can be economical and viable, and at current cobalt price it's not viable. We also had the tax put on us, the extra mining tax which affected the profitability of that mine. So we've taken a more prudent decision and said, okay, Mutanda, this way, let's get the sulphide in line, make sure we've got sulfide plant correct. We've got it correct in the cobalt price is viable and subject to where the mining code will end up being, then we must make the decision to go forward. So, Mutanda not that bad.

Katanga, you know we had to develop the hollow whole ore leach, and we had to develop the whole ore leach program, which we did, ramped up pretty well. We got both on time, pretty much on budget, so not too bad. Where there were issues at Katanga and actually the mining code affects us also because we're paying the higher taxes and royalties over there.

Peter alluded to the maintenance, yes, dropped the ball a bit on maintenance, no doubt, and that was the issue. So instead of producing the 285,000 that we indicated this year, we'll produce around about 235,000 Peter is talking about. A lot of it had to do with the maintenance of the SXEW [ph] plant. So, that's where we are. So, that's the reason. Mopani, as I say, is an old plant. They've -- sinking the three new shafts, they did the work on the three new shafts, and that's pretty much on time, little bit over-budget, not too bad. And then the other delay is basically the problem we had at the smelter.

Jason Fairclough, Analyst

So, how much of this is the ramp up of the projects versus not having the right people and controls in place versus the more general operating environment?

Peter Freyberg, Head, Industrial Mining Assets

Jason, it's the combination of those. But right now, we are putting in the structures, the processes to make sure that we can deliver long-term reliably so that we don't have the situation you had with the EW [ph] where whilst they're focusing on delivering the whole ore leach plant, which they did a great job work with, that somebody doesn't take the eye off the ball and different part.

So, we've got -- the right systems across the business with the right people will give you the right outcomes. And as I said, these are not complex assets. I have spent most of the first six months trying to look forward with the business and getting the right people in place to give us what we need to. And people really enjoy working there because they know we're heading in the right direction. So, we are comfortable that we will take it where it needs to go.

Ivan Glasenberg, Chief Executive Officer

But you've also got to remember, Jason, if you look at Katanga, you look at Mutanda, you look at Mopani, et cetera, not big cost overruns and not far-off time production of Katanga of course on the 30,000 tons, 40,000 tons where they didn't get it, as peter says, with the maintenance, but what is pretty impressive is the CapEx spend and the time to ramp up to get it where it is, not too bad. We got the full first round [ph] running at 150,000 tons very quickly at Katanga, the second round is ramping up very nicely. Unfortunately, we lost some 40,000 tons because of maintenance.

Jason Fairclough, Analyst

Okay, thank you.

Ivan Glasenberg, Chief Executive Officer

CapEx, not too bad.

Myles Allsop, Analyst

Myles Allsop, UBS. Just a few quick questions. First of all, with the cash returns and this focus on getting net debt down below 1 times, which I think is around $3 billion, does that -- are you going to continue the $2 billion buyback, complete that off in the second half or is that going to be paused? And should we assume any disposal proceeds are now used to delever rather than to kind of extend the buyback by $1 billion?

Maybe secondly on Jason's question, I mean you guys don't really seem that patient just generally, and you know if Africa keeps burning $1 billion of cash, so if we -- if this is one of those assets that just cannot be fixed, how long do you give it before you get more radical? I guess you're getting pretty radical anyway with Mutanda. And then maybe a little bit more on coal and realized pricing would be helpful.

Ivan Glasenberg, Chief Executive Officer

Steve, the first part?

Steven Kalmin, Chief Financial Officer

Yeah, I mean, no, we would absolutely finish the existing $2 billion buyback, there's around 700 or so ready to go. So, that will be done during the course of 2019. The way I look at -- I mean if we're starting now at, say, 16 [ph] or so net debt, lease accounting aside, let's assume that's all -- we're not going to sort of change bans and stuff to reflect pro forma of these things. So, we'll take that on the chin around the leasing. So, we're 16.

Cash flow at spot, we said, 2.4. I think there is some tailwinds in terms of CapEx and some tax shields and various things, but that's an illustrative thing, so take half of that 2.4. So we got the second half of the distribution, the $0.10, so that's next year -- that's next month, 1.3, so that's the $0.20 and the rest of the buyback is the 0.8. So that's $2 billion coming out of that 2.4. That's without any disposals on any other working capital or other areas. So, that should allow us to finish the end of the year around sort of below 16 and start trending down.

And then as we say, the 6 months to 12 months and then into first half next year, the capacity to do incremental buybacks will then play second fiddle to the heading south on that leverage in the short term. But again, then you're starting the 2.4, again you take the half, the base distribution 1.3. There I would in put in sort of back end some of the disposal proceeds and I'm putting in $1 billion in there. And yes, it would get prioritized then towards that debt reduction. So, you're generating $3.4 billion first half next year and then you're covering the first half of next year's distribution it seems the same $0.10, just for modeling purposes. You've got -- so you are able to bring your debt down too in a bit.

So rather in 12-months' time, you're then dropping just a little bit below the 14 and your ratio is sort of 1 and some change, so 1.07. So that's sort of a -- obviously, there's a lot of variables that go into what the next 12 months can look like in terms of disposals and macros and working capital and timing of some of the payments in these things. But absolutely finish out the existing buyback, the base distribution is well covered, those would take sort of priority. As I said, I'm not going to -- it's not the one is a do or die, have to meet that by a certain point. I just want to sort of trend

towards the 1 and that's having hopefully peaked now at 1 -- sort of 1.25 to start heading south and responding to markets and how that works out.

Ivan Glasenberg, Chief Executive Officer

Okay. The other part of your question, yeah, what is our patience in Africa, et cetera, has been -- well, as I said, we're getting 240 there, 35 this year, we should get 285. You heard Peter's presentation, he's pretty confident. We're going to get that 285. He doesn't foresee any issues there. It's just the maintenance of the SXEW plant, which he feels comfortable on. You saw his graphs which he showed you, we would get up to 265 next year and then hit the 300 pretty soon thereafter. I think in September we start annualizing at 300. So, he feels comfortable on that. Peter, correct?

Peter Freyberg, Head, Industrial Mining Assets

I think we've got -- it's a mine, a concentrator in the whole ore leach plant and together with an acid plant. And there are some parts that we have to commission, the acid plant has to get up and going. The cobalt side, we have got the fix for uranium and we're putting the thickness in to drop that out. We will do the IX overlay next year. That makes sure that we can do that a 100% of the time we get on-spec product, and we've got the right people involved in the business. So, it's -- the plan is there and the team is there and there is -- I don't see any reason -- we've risk assessed it, we believe we should produce.

Ivan Glasenberg, Chief Executive Officer

Okay, the third on coal, what was your question on coal?

Myles Allsop, Analyst

In terms of realized pricing, are we going to see another step-down in the second half, just the nature of the sort of contract structure out of vehicles?

Ivan Glasenberg, Chief Executive Officer

The figure there -- we've put the figure in the forecast, I think the margins are...

Peter Freyberg, Head, Industrial Mining Assets

Well, it would -- I mean basis -- some macros over the last sort of weak or so based on our book as it currently rolls off and quarterly walk-ins [ph] and fixed prices, there would be -- 2.1 does step down, I mean we're 2.1 in the first half, 3.9, so it's a 2.1...

Ivan Glasenberg, Chief Executive Officer

So we get the margins have dropped I think from 37 down to 27 or something in that period. So we've dropped the margins down there. Let's see what coal does in the second half -- it actually does. You know there was the supply side, so we'll -- it looks interesting, the coal side, right now.

Liam Fitzpatrick, Analyst

Morning. Liam Fitzpatrick from Deutsche Bank. Two questions, firstly on the portfolio, probably one for all of you, you had a lot of assets. I think the figure quoted was 150 or over that. Do you think the business is just too complex at the moment? And is there scope to upscale the $1 billion divestment target that you have? And then secondly, linked to that, the ag business, it's deconsolidated. The former head recently left. Is it still a core business?

Ivan Glasenberg, Chief Executive Officer

Yeah, the first -- look, we're always looking at the tail assets, do they bring much to the business, does it help the trading book. Naturally, they're having -- the smelters, the refineries do help the trading business in a way, so you would like to keep them. But naturally, we always look at the tail end of the assets and see what is potential to sell, does it move the needle much for the Company. So you could dispose of them and yeah, the $1 billion could increase. So, these are things we look at all the time. And if there is demand for them and someone really wants seem, like Steve said, we're still doing some disposals on the oil side, some of the tankage and the storage facilities we will look at doing. So, we're always reviewing that.

So yeah, having 150 as it is a lot to manage and if things don't move the needle and not important for the Group, we will dispose of them. The second point you, yeah, the ag business is important. We think, as Steve says, it's performing well this year. It has picked up this year. We've got the partnership there. They have -- Chris left. We've got David Mattiske who we were grooming along the way to take over from Chris. He was -- planned his departure well in advance. So, it was all well planned and I think it's a business that still works well for Glencore and performing quite well this year. And it is a business they would like to grow over time. We've always said, it is a business that needs a bit more growth. So, they will keep looking for opportunities.

Peter Freyberg, Head, Industrial Mining Assets

Just on the Glencore Agri, we'll need to hopefully spend a little bit more time on it, maybe not now but at other times, just to bring more visibility about obviously how it's performing as -- because it's coming through almost immaterial through the numbers but it still is -- at the time of the divestment it was obviously at a value at sort of $3.5 billion for 50% of the underlying infrastructure. And the assets is very strong positions in obviously different regions and that business should be comfortably at a 100%, sort of an $800 million annualized EBITDA, not much CapEx, not much sustaining look at [ph] mine or whatever is, a lot of that should generate some pretty good cash flow. It should be quite infrastructure-led returns, so that ultimately let's see how that market develops in terms of consolidation in multiples in these things. But there is a good value to unlock there down the track and down sort of -- obviously make sure it's covered somewhere in the (inaudible) and some of the parts they have at the moment because I assume it's not at the moment.

Ivan Glasenberg, Chief Executive Officer

-- generates cash and should be kicking out dividends, so -- but it should be pushing cash into Glencore.

Sergey Donskoy, Analyst

Yes, thank you. Sergey Donskoy, SocGen. A couple of small questions on Katanga and a couple of small questions Mutanda. On Mutanda, I understand that the mine has been put on care and maintenance, partly because the oxide ores are getting depleted, but it's also because of the adverse market conditions. Is it possible to give some guidance or idea what were the costs in the first half, so we could understand under what conditions the market -- the mine could return to production? And second question on also Mutanda, the decision to suspend production at the mine, has it been discussed with the authorities in DRC and how was it received?

Ivan Glasenberg, Chief Executive Officer

Yeah, the authorities, our team went on, had meetings with the authorities, explained to them that we were taking this decision. We had no -- it made sense. So, they were informed fully about it.

Sergey Donskoy, Analyst

So, you don't expect any opposition on this front?

Ivan Glasenberg, Chief Executive Officer

I don't expect that they'll come out with a statement. They're aware of it, they were advised of it and they said they had no comment further. Regarding the cost -- our cost this year will be up...

Peter Freyberg, Head, Industrial Mining Assets

You know, it's probably fairly breakeven-ish at sort of EBITDA, but you've still got the ongoing investments that need to go as you deliver on future projects. So, it would be post CapEx would have been -- would be negative from a cash flow and that was the influence -- obviously cobalt -- more of a cobalt exposed operation at the 125-type scenarios. The input costs, as we mentioned, on things like import, lime [ph] and asset was incredibly dramatic on that business as well. So, it's a pause now to work on sulphides. It may come back under an entirely different sort of cost mindset structure as it goes forward.

Ivan Glasenberg, Chief Executive Officer

-- the CapEx, to bring in the sulphides you've got to build the concentrate, you've got to build out different type, whether you build (inaudible) we look at the various things. Peter and his team is working on that. And once we've got the full understanding of what has caused the capital involved and what numbers are required for both cobalt and copper to make it viable, then we'll bring it back.

Sergey Donskoy, Analyst

Alright, and -- thank you. And on Katanga, also just some more questions. Is it possible to give an idea what was the impact of this inflation in prices and in other materials on first half cash costs, kind of isolate this particular effect? And second thing, (inaudible) correctly that your activity is no longer an issue. So this iron exchange plant is simply now a backup option, so...

Peter Freyberg, Head, Industrial Mining Assets

I think that our expenses will -- obviously in the policy you also want to retreat some of the hydroxide that we've got there that's got to uranium in it. So I think it gives us a very robust process that ensures that we have the right quality product but also can allow us to reprocess some of the hydroxide that's got uranium in it.

Steven Kalmin, Chief Financial Officer

And also in scale, being able to treat when you're at 30,000, I don't think you'd need that line to be able to treat it. In terms of asset classes compared to -- I mean when we're up and producing asset itself, we should be at about $185 a

ton. We were paying just over $200 last year. We paid close to $600 during the first six months of this year. I think it's something like running an incremental cost of $20 million a month just on asset alone. So, you can -- times by 6 or 12 or whatever you want to do on that, that's just incremental. It's a huge cost component of the business.

Sergey Donskoy, Analyst

Thank you.

Sam Catalano, Analyst

Good morning, Sam Catalano from Credit Suisse. Two questions; firstly just on marketing -- the marketing division, you've explained very well the issue with cobalt inventory, but if we go back to the coal hedging a few years ago, the issue with cotton last year or the year before, you've talked in the past about the risk management structures in the marketing business. Would hacking that change I guess to minimize these series of one-offs effectively, if you want to look at it that way?

Ivan Glasenberg, Chief Executive Officer

(inaudible) we know what the hedge was, we explained it at the time. Cotton was an issue, we explained it, et cetera. This on the cobalt is a little bit different because you've got to remember, this is moving it from producing assets into the trading business per the agreements. And because the market was extremely weak, so it's just from the one end to the other hand really. It came from our assets into the marketing and that's where it was and it came at a high price. Because the market was extremely weak, we couldn't move it out, you couldn't sell it. So had it stayed at the asset, you would have just -- sorry?

Peter Freyberg, Head, Industrial Mining Assets

And you can't...

Ivan Glasenberg, Chief Executive Officer

And you can't hedge it because (Multiple Speakers) of times you can't hedge. So you had to sit it with a day at the price you are taking it from the asset at the time and then you had to mark-to-market and that's where we got to $350 million loss. Had it set at the asset, then it will be at the lower cost on net realizable value and cost was somewhat lower, so you wouldn't have had that top price movement. So, that was just because of the market as it is. Now, if the market was better as soon as it comes into the trading book, it moved out and it would have moved out at the price of the day as similar to the price at which you bought it from. So, that is just the way the contracts are set up in that part of -- the way we've got it set up.

Peter Freyberg, Head, Industrial Mining Assets

it's not dealing with third parties, which is, I guess...

Ivan Glasenberg, Chief Executive Officer

Not a third-party, now we bought cobalt from someone we're sitting on a long position, it's just moving from one of our own assets into the trading book, et cetera.

Sam Catalano, Analyst

And the second question is just back on...

Peter Freyberg, Head, Industrial Mining Assets

-- of Mutanda eventually is that it accelerates the rebalancing of that market, it should allow us to bring down that position as well (Multiple Speakers).

Sam Catalano, Analyst

Yeah, with regards to that, why wait for the end of the year to shut down Mutanda? Is that sort of regulatory authority thing or you want to shut it down today?

Peter Freyberg, Head, Industrial Mining Assets

Yes, I think it's just -- it's a logical transition. We looked at what was economic there. We've got to actually transition to that. We've got there people that it affects and we're looking at that, the asset supply, the input costs. But as Steve indicated, we are running just slightly better than breakeven at that business and it's a logical stopping point.

Unidentified Participant

Hi, it's Grant Sporr [ph] from Macquarie. Just -- sorry, can I ask the -- two questions, the first one is just asking the sort of the cost question slightly differently. Just for Mutanda once it shut down, what's the sort of ongoing fixed cost going forward? And perhaps if you can just give us a broader sense of fixed versus variable cost at African Copper? And then lastly, just on the coal strategy, Ivan, are you still sticking to your 150 million ton cap?

Ivan Glasenberg, Chief Executive Officer

Yeah, coal (inaudible). Yeah, coal is on the $150 million cap. That's what we've said we would stick by and we are sticking by that, which is -- at the end of the day it's good for the coal market, no one is building new coal mines, you see no new coal mines being built or being financed besides Coal India growing new mines in China. The rest of the world nothing there. Peter?

Peter Freyberg, Head, Industrial Mining Assets

There are some costs obviously to keeping along care and maintenance. We are going to try and offset some of those for running the acid plant. So, it's not really a material level, plus there is going to be advantages for the future project through the upscaling and the training that we're going to doing on that workforce. So I think in terms of holding the asset and social responsibility and having the right conversation with stakeholders including the government, we are going to incur some costs, but I don't -- they are not that high.

Unidentified Participant

So just a quick follow-up just on the asset plants in the DRC, just can you remind us how those are fed or they're local sulphur deposits that you feed them or how...

Ivan Glasenberg, Chief Executive Officer

Sulphur.

Peter Freyberg, Head, Industrial Mining Assets

But the ratio in terms of sort of logistics of number of truck movements has sort of moved from sort of half or something, which even logistics has actually a very challenging -- I mean what do we -- even the acid supply how many trucks need to offload (Multiple Speakers) it's a huge logistics exercise today.

Sylvain Brunet, Analyst

Good morning. Sylvain Brunet with Exane BNP Paribas. First question on cobalt and maybe your sense of how advanced your customers are on their destock, I'm thinking of the GM of this world. Second question to Steve maybe on debt, if you see still some room to bring some working capital down, whether that would be on the Industrial or Marketing side? And my last question maybe to Ivan, as the management team is changing, are you also taking this opportunity to have a fresh look at KPIs across the organization as priorities are changing a little bit in the organization and outside?

Ivan Glasenberg, Chief Executive Officer

Yeah, I mean -- year, of course with the management team changing, we're always assessing how we value the performance of our people and how we're setting KPIs. So that's an ongoing process which we continue to do in the Group to monitor in a better way and more professional manner. So, that's an ongoing process. Yes, we're doing that.

The other part of your question on cobalt, I think where do we see cobalt based on having us remove these tons, is that your question?

Sylvain Brunet, Analyst

No, it was -- well, partly, yes, but like what is your assessment of the level of destocking or how advanced customers are in the destocking?

Ivan Glasenberg, Chief Executive Officer

I'm not sure exactly where they're on the destocking phase. But it looks with -- these tonnages are at the market, we believe that should sort of be getting the market fairly well balanced and it should have a positive effect on the price of cobalt. But the market with these tons taken out, 30,000 tons or whatever, really should put the market back in balance and maybe slight deficit. That's...

Peter Freyberg, Head, Industrial Mining Assets

I mean encouragingly our actual sales volume during the six months was actually stronger than we were expecting as well. So, that's why even now 10.3 thousand tons in terms of exposure, we even was -- pleasingly that it didn't go up. In

that environment we are producing, we had some off-take commitments and we were able to keep it at that same levels. So sales was much stronger this period even than the six months and the previous six months. So, I think that's encouraging in terms of sort of demand and needs and general stock levels (Multiple Speakers).

Ivan Glasenberg, Chief Executive Officer

I think the electric vehicle production in China during the second half -- during last quarter should start picking up and that should make people to start restocking more cobalt because of the requirement of batteries. You also have the European car manufacturers during the second half start coming out with some of their electric vehicles more towards the latter end of the year and that should therefore make more inventory and people starting to purchase more cobalt.

Peter Freyberg, Head, Industrial Mining Assets

I mean working capital inventory, I think there is probably scope to bring that down through the RMI, even the non-RMI part, obviously just having held more cobalt than we would have normally held in terms of levels. This -- we certainly see capacity to bring that down. So that will inject some cash back in the business as well. I wouldn't term receivables, payables, call it as you will, there's always scope to do it. I don't think -- I think we're in a comfortable position more broadly there. Both RMI, non-RMI inventory, I think there is scope to bring that down within the business and it'd naturally come down anyway in a lower price environment as we've seen through the different cycles in '08-'09 and '15-'16.

Ben Davis, Analyst

Thanks. Just two quick ones. Ben Davis from Liberum. Firstly, just what's the current situation with the illegal artisanal miners at Katanga, what sort of long-term practical solutions have been cooked up? And then secondly, I might have missed it but what's actually caused this massive rise in acid prices? Was it supply-demand and that sort of thing?

Ivan Glasenberg, Chief Executive Officer

It's supply-demand of course, new production in the DRC increased...

Ben Davis, Analyst

-- with the smelters going down in (Multiple Speakers)...

Ivan Glasenberg, Chief Executive Officer

(Multiple Speakers) going down, it didn't (inaudible) with Vedanta going down which was producing acid, both of them went down, so therefore you lost the there. You've also had more demand of acid in the DRC, new mines coming up, more Chinese production where they needed acid, so that's where we just tightened the supply. Regarding second point, Peter?

Peter Freyberg, Head, Industrial Mining Assets

On the artisanals, it wasn't just Katanga that had the issue, it was across the province with an inward migration, I'd say, of thousands of people that were signed to mine illegally on sorts of leases such as ours. The government took a view on this and they brought in -- there is a presence of military. Obviously we -- that's not the best way to start addressing

it, and we believe that there are long-term social solutions that need to be worked on to try and address that. We talk on a very regular basis with government at all levels and obviously emphasize issues such as the Human Rights and Voluntary Principles and make sure that there is a mutual understanding of what the risks are and how to manage those. But their presence has resulted in a massive decrease in the activity.

We are working very closely with the Governor and the government there to look at longer-term solutions in terms of how we can invest socially, what the government can do to try and address this and at the same time we are addressing perimeter control around our business to enable us to have better security and control the sort of influx that we've had in the past. These are very complicated lease boundaries that we have together with entities such as (inaudible). And we are working together with them and others to sort that out. But we are going to control the site but at the same time work very actively in the communities to try and find some offsetting developments, some training, some enterprise development and the like to de-pressurize that. And the community, the unions and the government are actually all being very supportive.

Unidentified Participant

(inaudible), couple of follow-up questions. Could you -- and how is your relationship with the new government in the DRC? Do you think (inaudible) is going to be prepared to consider sort of changes to the Mining Code for existing operators? On the free cash flow of agri, what -- so you say normalized EBITDA your shares are $800 million, what sort of dividend could we assume in a normal world for the Agri JV going forward? Maybe on coal as well, what gives -- makes you bullish? Do we have to wait till gas prices recover before we can get bullish coal or what could drive the recovery sooner?

Ivan Glasenberg, Chief Executive Officer

Okay. So the first part of question, with the government how do we think we're doing on the Mining Code, the new government is in power, the new President is in power, he still hasn't appointed the Cabinet. We are still awaiting for the new appointment of the Mining Minister and then we can have further discussions. The Mining Code, we have said clearly we don't accept the new code. We will challenge it. So, we're just waiting for the new government to be in place and then to have further discussions on it.

We've had initial discussions with the President about it and where we sit and our feelings about the new Mining Code and as you can see the effect it has on our operations and it had a big effect Mutanda, it has an effect on Katanga with the new code. So, it is still being disputed. The sport about the second part, dividends that you -- cash we'll get from there, Steve?

Steven Kalmin, Chief Financial Officer

I mean from $800 million EBITDA you would derive free cash flows sort of circa $400 million for that sort of business. No, that would be a 100% so we'd obviously take -- we'd be 50% proportion in that, I mean if it was a full payout and things were delivering at that level. It's obviously -- during various years it's been at over $1 billion in 2014 and stuff, it probably dropped around sort of 6-ish or something during the more difficult period, the last couple of years.

That business has invested in various sort of strategic ports and expansions in Brazil and various other bits and pieces. It's also consumed some capital within the Glencore Agri in the last year 12 months, 18 months. So if they were just steady and -- of payout ratios and a very comfortable debt position is where they are at, because the business was set up initially with a reasonably conservative structure and we haven't taken any dividends out over the last three years. So anything that's been generated has either been invested retained within the business.

Ivan Glasenberg, Chief Executive Officer

Coal, I mean bullish, let's see, Europe imports roundabout 100 million tons of coal, so we've got affected in Europe with a low gas price, it did have an effect on the overall coal market but it's not a big part of the coal business today. Most of the coal goes into Asia. What have we seen in Asia? You've seen very strong demand in India, stronger than people expected. I think India is going to import roundabout 180 million tons. China imports are still very strong. New countries which are importing more, Bangladesh, Pakistan, Vietnam is becoming a bigger importer, even Japan's increasing slightly.

So demand is increasing up in a lot of these countries today and you don't [ph] have new supply coming into the market. So China of course is increasing coal, India where they do need more coal locally, Coal India is not increasing to their expectations, you've seen what Coal India's recent results came out, they're not reaching the levels they wished to. So, that's creating -- the market look a bit better. The lower prices actually will force the Americans out of the market. The Americans I think are going -- exporting roundabout 45 million tons. That will go down to 30 million tons, so that is going to reduce the amount of coal coming out of there. Russia is struggling to increase big at these level because the coal price is not that favorable for them at these levels, so the increase in Russia I don't think is big as people anticipated. So, the supply is not there and demand is growing, as I say, in Asia, not in Europe of course. So, it's looking a bit better.

Unidentified Participant

Could we get the turnaround for the end of the year or is this a 2020...

Ivan Glasenberg, Chief Executive Officer

We don't predict that precisely. It looks like it's getting tighter on the supply, as I said, with the Americans move the tons out and they reduced 15 million tons. Russia is not increasing its export as people expected. Demand is there. It can (inaudible), I don't know exactly whether worldwide inventory is offsetting at these various power stations around the world. Of course, is it going to be how much inventory is sitting around and when people want to restock, and that's why it's hard to call exactly when you're going to get to turnaround. But if you look at the demand-supply figures, it looks like there's deficit coming on the seaborne market.

Good. Done, Martin? Thanks very much. Thank you.

Company Name: Glencore
Company Ticker: GLEN LN
Date: 2019-02-20
Event Description: Q4 2018 Earnings Call

Market Cap: 42,713.61
Current PX: 307.00
YTD Change($): +15.65
YTD Change(%): +5.372

Bloomberg Estimates - EPS
Current Quarter: 0.160
Current Year: 0.386
Bloomberg Estimates - Sales
Current Quarter: N.A.
Current Year: 214054.722

Q4 2018 Earnings Call

Company Participants

- Martin Fewings
- Ivan Glasenberg
- Steven F. Kalmin

Other Participants

- Jason Fairclough
- Dominic O'Kane
- Liam Fitzpatrick
- Sylvain Brunet
- Tyler Broda
- Myles Allsop
- Sergey Donskoy
- Tony D. Robson
- Edward C. Sterck

MANAGEMENT DISCUSSION SECTION

Martin Fewings

Good morning, all. Welcome to our 2018 Full-Year Results. Thank you for joining us here today here and also thank you to those joining via webcast.

I'll now hand over to Ivan Glasenberg.

Ivan Glasenberg

Good morning. Thank you. So today, we're presenting our 2018 results. Oops, not working, Martin? Okay. And as you can see, we've got a few highlights here in this presentation, and you can see, we had a record year. We had a $15.8 billion EBITDA during the year, which is 8% increase to the previous year. Net income pre-significant items is at $5.8 billion, and that 5% increase from the previous year.

What we did in 2018, as you are aware, we had big distributions from the company, which gave compelling cash returns, and we distributed by buybacks and distributions, $5.2 billion and that was made up of around about $3 billion of distributions and $2 billion of the announced buybacks which we made during last year, early parts of this year. That gives you a 75% implied payout ratio based on 2018 equity cash flow of around about $6.9 billion.

Going forward, we will be doing the same, and it's a good cash return story, and this should continue, and we've indicated we'll be doing around about $3 billion of buybacks during the year, $2 billion minimum by December 2019, plus we're targeting another $1 billion buybacks which will be – which will come from some small asset disposals throughout the group during the year. So overall including the dividend distribution, we should be making cash returns of $4.8 billion to $5.8 billion during 2019.

Going to sustainability, as you can see, unfortunately we had 13 fatalities at operations around the world. We continue working on this area and we're spending a lot of time. However, we still have a large amount of underground mines in difficult regions of the world, which is taking time to ensure that we're running those mines safely and to ensure there are no fatalities to aim for zero fatalities at all our operations around the year. So, it's a continuing effort by the group, and hopefully we will get there as we move forward.

Following the publication of the new UK Corporate Governance Code, the board has established a new Ethics, Compliance and Culture committee, which will be put in place during the year, and that shows you the different committees that the company has and which – the new one which is the ECC committee will be installed following the code, and the board has decided to set it up as follows.

Once again, climate change, furthering our commitment to the transition to a low carbon economy. We believe the company is well-placed in this area. We have the right commodities, and as you are aware, cobalt, zinc, nickel, copper, which is a complement for battery supply, and we continue to grow and hopefully grow in those areas which we aim to capitalize on there, which is as we move the energy and mobility transition into electric vehicles, we will be at the forefront producing the commodities in that area.

What we have also done, we will limit our coal production capacity broadly to current levels, and as you are aware, we're producing around about to have capacity for about 150 million tonnes of steam coal, and we have agreed that we will limit it to that amount of tonnage going forward, and we will not increase that tonnages of thermal coal produced by the group on a future basis.

Coming to Tailings Storage Facility management amongst the group, we moved in this area in 2014 after the Mount Polley incident. We appointed a team to review all our tailings dams around the world. We had a person who heads up this tailings facilities and the investigation of all our tailings facilities around the world. And we worked aggressively from 2014 after the Mount Polley incident.

After the Samarco incident in 2015, we increased our review of all our tailings dams even further, and we worked very closely with the world's leading experts, Klohn Crippen Berger, and over a period of time, they have reviewed all our dams and alerted us where we have issues and how we have to remediate those issues, and we're working through that as time goes on.

This company is working with us, and they will continue working with us reviewing all our dams on an ongoing basis, and we'll review every dam and continue to review them with this group over a yearly basis. And we believe, over a 12 to 18-month period, they'll be able to review each dam again and again over that period. And that gives you an idea of the dams we have, which are upstream dams, which are centerline and downstream dams, which are active and non-active. And naturally, we are aware that problem dams are potentially the upstream dams, and you will see if we got the 51%, 31% of those are active and that represents around about 22 of our tailings dams around the world which are upstream, and we're working very closely to monitor those and ensure that they are safe.

So with that, I hand over to Steve, who will go through more of the financial issues, and then I'll come back later and talk about how the market is looking, where we see the market going forward. Thank you.

Steven F. Kalmin

Thank you, Ivan, and good morning to all of you in the room and those that may be listening in on the line or on the webcast.

A few highlights as well that Ivan had spoken to most of these topics as well. So EBITDA, it was a – unfortunately it was a weaker second half than the first half. Industrial was pretty – was broadly similar period-on-period. The second half marketing was weaker, particularly in the metals side. We already flagged some alumina and cobalt challenges in December last year. We think we've worked through most of those. I'll talk a little bit about that back in the marketing. But that's – it's still – it's a higher percentage clearly in the marketing. If it's a sort of [ph] $100 million or $200 million (00:06:56) potential miss on marketing over a $16 billion business, it obviously puts you in the context of what

Glencore is today, more like around 1% or so over there.

But strong cash flow generation, obviously, as Ivan said. Funds from operation up at $11.6 billion, that gives us the capacity to fund the business, spend the CapEx, do any M&A. It was a period during last year where there was a handful of announced acquisitions, probably more back in beginning of 2018, almost into 2017. We've sort of gone through all the funding and the commitments associated. So we do start the year now 2019 in terms of cash flow generation that can be applied more generously towards share returns. But I think the M&A, objectively looking at some of the coal acquisitions, expansions in zinc in a constructive commodity and some of the longevity and optionality that Volcan is going to give us in zinc, and some of the downstream plays we've had in oil, I think it sets the business up nicely in terms of its cash flow generation as well, but we start the year 2019 sort of unhinged in terms of any previous commitments on M&A.

CapEx leveling around that sort of $4.9 billion, that is our guidance still for the next three years averaging around $4.8 billion. There's a level of expansionary around $1.1 billion, $1.2 billion, $3.7 billion, $3.8 billion at the sustaining level across the business. There'll be a slide. No change in any of that.

Net income, as Ivan said, it was around $2.4 billion what we'd call significant items, most of that impairments, $1.6 billion at the time, flagging Mopani, $800 million; Mutanda, $600 million as the two. There is sort of chapter and verse of that in the financials. By all means go and have a look at that. We show the reasons, the sensitivity to various macro and micro assumptions have gone into that. Of course, Mining Codes impacted the margins at Mutanda and the oxide sulfides, that sort of $600 million impact there, Mopani, even the asset price assumptions, it was quite a big value driver there. It has a smelter producing asset, we think the regional balance is going to deteriorate in favor of lower prices, including ourselves building an acid plant at Katanga, which would obviously makes sense for that operation, but that was a change on a – that happened at Mopani.

Net debt at $14.7 billion. There's the full reconciliations in the financials, but about $7 billion, as Ivan said, of equity-free cash flows. The reason net debt has clearly gone up is the M&A, $4 billion, which is the accumulation of the HVO, Hail Creek, Chevron business, and one or two smaller ones.

Buybacks and dividends, around $5 billion. And what we flagged two or three weeks ago at the production report was a $2 billion build up in non-RMI working capital, just the balance between receivables and payables. Payables going down at a greater rate than what receivables that $2 billion has gone down. I'm sure I'm going to get a question later on to say is this going to reverse. I'm not banking on this reversing. Clearly, we're in a more conservative balance sheet now than what we were six months ago in terms of the working capital position. There is a float there. Can we go and access that again at some point? Potentially yes. But by definition for those saying sort of what could happen going forward on working capital, we're in a better position around the trajectory there in terms of how that's gone. But let's not assume any sort of further either release of that or necessarily further change in the working capital is what we've assumed, and of course the large buybacks that we've done as well, and we'll talk about all that later on.

If we focus on the industrial part, we used to have marketing first, industrial last. We said that's a bit sort of back to front these days around that relative contribution between the two businesses, so we flipped it now into industrial and marketing now representing $13.3 billion of that $15.8 billion number. So, it's well over 80% of the numbers.

If you look at the contribution between two, that was up 15%. Metals and minerals overall still dominates across the main commodities, the copper, zinc, nickel, alloys and the like, but the big increase has come through – has come in the increase on the particularly the coal contribution, higher prices plus the contributions from the acquisitions during the year, the HVO, the Hail Creek.

Cash margins, EBITDA margins, mining margins, very healthy. If you can see in the graph on the right, the coal side which contributes the 46% there, so good buffers around the cash generation there.

Metals and minerals hovering around that 40%, still a good blend between the low-cost high margin businesses that we have across the thing. We'll get to a waterfall on the next slide as you see where the evolution, but generally a good trajectory and we're clearly about those sort of levels at the moment on a spot basis.

This chart would look pretty similar across the industry on the industrial side, where did we see the movement 2017 to 2018. Price helped clearly during the year. Some point – hopefully we're sort of mid-cycle, and we can see that continue to improve across various commodities. Copper, nickel, cobalt, we've given some increases there. Cobalt was a tale of two halves. We'll speak about that later on as well. The average happened to be 32%, but compared to middle to end of the year, it was off 50%, and that's continuing to be a drag today in a relative sense in the cost structure on cobalt.

But from the $2.1 billion, the copper-cobalt $0.6 billion, nickel $0.3 billion, coal $0.9 billion contributed the major aspects of the increases. On the volume side, some small impacts, you'll see some volume trajectory going forward, that will be a tailwind going forward across various aspects of our business, but again copper cobalt, particularly Katanga, the coal M&A would have had positive contributions. That's cost including inflation. In the past, we've broken inflation out. Inflation would be about just sort of – the sort of automatic CPI linked inflation that tends to apply across most consumer price increases would have been about $500 million of that $1.347 billion, you've got some relief clearly on currencies.

Some of the biggest impact is there has been in Mining Code, clearly across both our operations in the DRC that effectively came in from 1 January, so we've had six months absorption there. We are currently both being charged and paying the full effect of the higher royalties and various other imparts across the supply chain. It is something that we have contested. We're paying on the protest and hopefully some Mining Code relief at some point, where we were able to engage with the new government there.

Clearly, higher energy and commodity input costs. So as much as we got oil price, on the left you can see up 31%. We're both a producer, but we're actually a larger – a much larger consumer than we are a producer currently in the oil business, so that's coming through in the diesel, various other input costs reagents, asset prices, these are all across the different businesses, lower grades, lower smelting custom profitability that should turn around this year, particularly in our the copper business. That comes through the cost line as well and of course to the extent that there's higher royalties linked to the higher prices, that will flow through that number as well.

Also, any higher inflation, we've sort of said CPI in Argentina, it was particularly when you saw 40% inflation, that will come through cost, but then we've got $100 million FX benefit through the depreciation of the Argentinian peso as well.

If we look at the reconciliations in the detailed buildup of those industrials, we've gone through the various commodities, and there's a reconciliation on page 31, relative to earlier guidance. It's all pretty much spot on around how well sort of many models would contribute to that business. So copper contributed 30% of the industrial EBITDA $4.7 billion on the group EBITDA there.

A few things to flag, we have had higher production which clearly helped on the Katanga side, that journey continues. That was the first year of a line 1, 140,000 – 150,000-odd of copper and a little bit of cobalt as well. This year is the year of taking that operation up to its capacity close to the 300,000 tonnes copper and around 26,000 tonnes cobalt, so that will have a positive bearing on our overall footprint.

A few factors to – at the EBITDA, a few opportunity costs was the timing of sales versus production both in copper of about 22,000 tonnes. But more importantly, the cobalt currently that's stockpiling with the excess levels of uranium to be at Katanga just in the year 2018 alone, we got 3,900 tonnes of cobalt which even at the poor margins, spot margin environment of cobalt at the end of December had an EBITDA opportunity cost to us of about $134 million. So, that's just being stockpiled in anticipation of the [indiscernible] (00:15:48) plant and the various other treatment initiatives.

Katanga also, if they haven't already, there's going to be their own release before Canadian market goes up, which will clearly go into more chapter and verse around what's going on around cobalt and particularly around suspension in the uranium and how to treat that. And now, that project is clearly going. So, all the costs around 2018 is broadly where we said at the – towards the end of last year. Copper is $1.04, we guided to $1.03 at the end of last year, and they all come in pretty close to where we said.

Increases, year-on-year, 2017 to 2018 has clearly been impacted by DRC Mining Code, higher energy costs, and that sales versus production variance, which at some point is going to catch up. We'll see the evolution more as we go from 2018 to 2019 as we go across.

Zinc business, clearly stable. We're going through production returns at Lady Loretta and ultimately there will be the Zhairem expansion within our Kazzinc operation more 2020 effect will show you the trajectory in costs. And coal was a very solid cash contributor, EBITDA and relatively low CapEx, which is – allows good cash conversion that came in with a $40 margin against a $39 guidance as we said last year.

Marketing, we've spoken about the two factors, the basis risk. They're both in metals and minerals with the alumina and the cobalt impacts that was flagged and went into a reasonable amount of detail back in early December. It was both those two factors that prevented us from being certainly much closer to where we were in 2017, maybe not quite as good 2017, but we – it would have been sort of middle of the range, but for the factors of those that came towards the end of the previous year.

There was another competitor as I flagged as well [ph] towards the (00:17:50) last year that flagged the alumina distortion in the market where the sourcing and sale of alumina, which previously was a reasonable back to back around percentage of alumina, you have had the index pricing sourcing having to feed into long-term percentage of alumina prices as well.

These are legacy contracts. These are old contracts. Our exposure to that basis risk is slowly grinding to almost nothing. But with the huge spikes in alumina from the $350, $400, towards $700, that had quite a material impact on the business last year.

And cobalt was sort of a double punch if you like for us during the sort of from about August, September, October towards the end of the year in a variety of factors. We've had some Chinese non-performance. We spoke about that as well around certain fixed price realizations on hydroxide. We did have to sit around the table and reset some of those. Hopefully, this swings and roundabouts around that over a longer term cycle. Cobalt is going to have its day in the sun again, but we clearly had to take that performance risk.

And also, as I flagged within the – back in December, it's a little bit left and right hand, but within the marketing business, we do have to continuously off-take the material from both Katanga when it's [ph] selling of course (00:19:03) and obviously Mutanda under those agreements. So, this is coming on to the marketing's books. It's not an easily hedgeable commodity. It's not a commodity that you can lay off the demand strength today. So you will have lag effects of having to take material on to your books and you will have some length in cobalt today, we'd like to have less length, but we do have some length in cobalt. And just in the month of December, you saw cobalt price has dropped 22% on some index.

Clearly this is not all a realization, that could turn around as well, but that's what have to be absorbed through the earnings for that particular period. What we've highlighted is the graph on the top right, I think it's interesting to note that even at $2.4 billion in some historical sense, excluding Agri, which has been a bit noisy from a comparison perspective and I'll talk about Agri as well at $2.4 billion. It's sort of in the [ph] pattern (00:20:02), last year particularly good on the Energy side, and we should – the Agricultural side should be at $200 million, which obviously you've got challenges in that market as well, it's effectively contributed zero, which is the green line.

But if you look historically, 2013, 2014, 2015, we are in the 100% of that business, 2014 was a stellar year obviously in that business as well. 2015, 2016 was a proportionate business once we've sold it to the Canadians. We've restated 2017 and 2018 just to be our share of the net earnings of that business.

But on the Agricultural point you can see, although 79% down at the net income level, the actual business was 23% down on an underlying 100% EBITDA business. We've given those numbers in the financials, it was $484 million, 100% down from $631 million, 23%. That does reflect weaker crop sizes, Australia in particular, and just general challenges they manage.

That business should be at 100% to $700 million, $800 million-type business, once that, I would say, should be about a normal operating capacity in margin environment of that business. So, it is under-performing at that level, we should have about a $200 million net income pickup from the Agricultural business. So, it is a fact that we are expecting and have confidence in being back towards the middle of the range marketing in terms of where we sit at the moment. And we'll get to the next page.

So, this page reflects that $2.4 billion, and again the range and expectations around being, again towards the middle of the range for this year. And we've given some of the factors on the left-hand side as to various elements, and Ivan will speak to some of those things around tight to tightening physical demand conditions. We are seeing that starting to materialize, particularly in some of the metals commodities. Selective deployment of working capital, at the moment, we're not doing much. You've seen the release of [indiscernible] (00:21:54). But that's certainly a catalyst if things suddenly presented themselves, Katanga or otherwise. Of course, there could be higher interest rates. We've sort of paused a bit, but that's obviously, depending where you think we are in the cycle. And some volume growth, production growth, that's generally occurring mostly in our business.

CapEx, not much to say, it's largely a rehash of where we were in December we've come in $4.9 billion against the $4.8 billion, and no changes to guidance around the $4.8 billion average over the next years. [ph] There's a range of (00:22:23) more brownfield developments now averaging $1.2 billion, as they've all been pretty well flagged. The only one that's still in a not-approved phase, but we've put it in the highly likely is that Collahuasi mill expansion to the 170 ktpd. Some of you were over at the site visits, we advised back in December that would be a potentially around a $200-million commitment. That's what Glencore shared that's not an approved project per se, but it's been factored in to the as-good-as I guess.

In terms of balance sheet, finish up before we give you some of the modeling details as well, still a pretty strong balance sheet in terms of cash flow generation and coverage. We spoke that the net debt – net funding was actually broadly flat year-on-year, notwithstanding the increase in net debt, about $4.5 billion and that was that release of the working capital of about $3.5 billion, down to down to $17 billion. So, that's – we still have, I would say, there's still RMI that can be unlocked in the business in the current commodity price environment, but it's always subjective. If you're going to see some explosion in metals prices and oil prices clearly go up, you're going to see just a price variance there, but I think you'll see more than a positive compensation through the spot cash flow generation, the EBITDA in the business.

Look, what we have just flagged as well, obviously with 0.93 times net debt EBITDA, with net debt I would say having peaked now between M&A and the working capital movement. Although, we've spoken about a maximum 2 times net debt through the cycle, just given some of the uncertain, some of the trade, some of the sort of economics and the geopolitical events, we are running the business at this point in the cycle to try and not let that number having a cyclical management of aiming not to let net debt-to-adjusted EBITDA elevate much above 1 times.

So, what that would do in our thinking clearly if sort of the world fell out of bed tomorrow and suddenly our spot EBITDA was $15.8 billion, now it's sort of $13 billion, just pick a number, we would – in terms of that ratio, we would look to get our net debt down to that $13 billion. So, that's how we would look to sort of keep that 1 times in terms of keeping that conservative financial profile. We're obviously comfortably above those levels trending down from the 0.93 times. But I think it's just a prudent and appropriate to run the balance sheet in that sense.

Just the modeling guidance because that's all looking back. It's arguably more important looking forward. So, this is the detail of what comes out of our spot cash flow, illustrative cash flow generation at spot. Across the different industrial businesses it's all the building blocks down the track. Copper is the one that's worth spending a little bit of time.

So, it's being – you can see bottom left, I would point towards a range of outcome as probably being something that's more sensible. So, we said $1.04 is the cost, that's what the actual was in 2018. 2019; anywhere between $0.92 and $1.25. Now, the spot cash flow illustrate $15.8 billion is the higher cost, $1.25. So we've taken the most conservative part of that range. What's driving that range, $0.92 to $1.25, cobalt. There's nothing else that's driving that range. So, at the bottom end of the $0.92, what we've assumed, let's say in the $1.25 is that we are not selling about 25,000 tonnes of cobalt this year on what we're producing.

You can say Katanga, okay Katanga, but just a general assumption to say Katanga will, of course, is producing 26,000. They have said they will sell some of their production this year, but most of it is going to be 2020. Across that as a modeling assumption, we've seen 25,000 tonnes of cobalt not being sold. We've also run through that particular model on spot prices the realization of cobalt hydroxide as some benchmark would indicate it might be. It's very low volume, it's very illiquid at the moment, but we've taken about $11.50 a pound is the price that that's [ph] on the market (00:26:29).

$11.50 a pound and 25,000 less tonnes of cobalt is what's driving it that $1.25, against what would have been a $0.92. That's $1 billion variance against the cobalt revenue that we were running just two months ago at the beginning of December. It would have been more sales and high prices. So, you can have your own views as to where the volume and price is going to potentially – and we do speak about the cash flow generation, the $6.8 billion that Ivan said, that's at the conservative $1.25. So, I think a range of probably $6.8 billion to closer to $7.5 million is probably a more book-ended around cobalt realizations at the moment in terms of how we go. I'll show you how cobalt in terms of the assumptions.

That's the main variable. There the businesses are pretty steady state around its production and obviously, cobalt, there is the assumption then within copper. We have the expansion 46,000 tonnes this year. That's the net of the extra 150,000 tonnes at Katanga, and Mutanda being rebased to closer to the 100,000 tonnes, which we'll see on the slide as well later on. Based on an optimized plan, an optimized cost structure, you would have seen some headlines on that.

Where's all the building blocks for all these numbers? That's the production. Longer-term guidance unchanged in cobalt and all the other metals. Copper is the only thing, which is a drop of 40,000 across all the years on account of Mutanda.

Yeah, but 2018 to 2019, we've got some reasonable volume growth in cobalt still. Sort of query the sales impact on that, but physically you'll be able to go and see the bags of hydroxide there and ultimately it will convert into cash. Whether it's a 2019 or a 2020 story, we'll obviously wait and see. Zinc, you got Lady Loretta. There's some further nickel. And coal of course is M&A and just general recovery, mostly in Prodeco.

But across on the right-hand side, you've got overall – that's not an annual growth rate, but it's an overall absolute growth rate 2018 to 2021 across the different metals, and I think it's in commodities that should be favorable economically for us going forward.

Where does this put us on the – this was a slide we introduced also in December. I think it's quite a useful one to understand sort of where free cash flow and returns may look like across various cycles. So, we've played a – we sort of see a $5 billion to $10 billion free cash flow range for this business in the – across a range of cycles and then what free cash flow yield that that clearly generates and the ability to distribute cash on those sort of returns.

The downside was the average 2016 prices, we all know 2015-2016 was not a pleasant period. And on page 40, we show the various assumptions that underpin all those. So if you sort of quickly glance to page 40, you can see the downside, that was copper averaging $4,800 per tonne, that was zinc $2,000 per tonne, nickel $9,600 per tonne. That was the free cash flow at $49 billion (sic) [$4.9 billion]. So, pretty downside from where we are at the moment with that sort of cash flow generation.

Upside of $10 billion, that's prices we've had in the last 12 months. You don't have to go too far back into the history to see those sort of prices. That was copper at $7,000, we were there at Q1 last year. Zinc at $3,200, nickel $15,000, we're not that far away there. Cobalt, you would need to sort of kick up to $24 a pound there, but not a million miles away from potentially getting up to $10 billion of free cash flow in this business.

We show some data points where 2017 we were $7.7 billion, 2018 $6.9 billion, but obviously impacted by some of the delays in production sales, marketing was a bit weaker. And spot today, $6.8 billion, $6.8 billion to $7.475 billion depending on cobalt. I think that's sort of the range at the moment. I think based on the commitments that we've made today around distributions, as Ivan said, $2.7 billion base distribution, a $2 billion minimum buyback out of free cash flow as opposed to the non-core disposals, that $4.7 billion. Against the $6.8 billion, that's a payout of 69%. If the free cash flow was $7.5 billion, we'd have a payout of 62%. So, we still have quite a buffer around the potential to top up

distributions during the year when we're up in August and see how things develop there. Plus it gives a 30-odd percent downside buffer against, if you do have some contraction in cash flows, you're still not funding these buybacks out of debt. You're paying it still out of free cash flow within the business which I think is a positive element as well.

That shows, obviously, the buildup and you've seen all the graphs. There's the $6.8 billion. That takes account of full paying taxes across all the business. We do have still a few some tax shields and some tax losses in some countries. So, tax may be a little bit conservative and this is still accounting on the interest rate for potentially two interest rate rises during the year. So, I think still relatively conservative below the group EBITDA line.

If we just go to the capital framework, nothing particularly new there as we look towards our target capital structure and ratings. We'll see a slide – I'm not going to focus on the slide, but obviously what's relevant in terms of buybacks and accretion and the likes, we've got some slides towards the end of what our share count is. Obviously, it's materially decreased as we've been doing some of the buybacks over the last period. So, do build in and do track that within the various modelings as we got as well.

And as Ivan – I think a point just to mention is the $2 billion buyback that's been put in place now to be topped up automatically by $1 billion from a target of $1 billion minimum non-core disposals as a range of what we would still say non-core or sort of tail assets. There's a few process on the go. There's a few other target opportunities, it may be listed stakes, it may be various other things. We think we'll get there in a canter. And we'll obviously make those announcements as and when they come. But I expect it's going to be a sort of a sprinkling of various smaller announcements throughout the year, so potentially close on one or two as well.

So, if we just finish up before I hand over to Ivan, I think this is obviously quite a powerful slide. You can see the modeled reduction in share count out till the end of the year based on those announcements. Obviously, there's an assumption around the price, the execution, but we could have close to 9% of reduced share count just executed between 30 June, 2018 and the end of 2019.

And applying those buybacks and the distributions across the price at the moment, we've mapped out that we're the fourth highest within the FTSE now in terms of a – not just a free cash flow yield, but an actual cash returning entity, around the 11% or so. And well positioned certainly within the mining sphere as well. So some pretty powerful numbers economically as well.

So, on that note, I'll hand back to Ivan just to wrap up. Thank you very much.

Ivan Glasenberg

Thanks, Steve. Okay. Looking at the outlook going forward where we look during 2019; as you can see on this slide, Global Economic Policy Uncertainty Index is very high. There's been a lot of uncertainty towards the end of last year as we saw and as you see, that has had a drag on the PMI indexes, which have dropped during January 2019. We all know a lot about the trade talks, macro fears and, therefore, it's had a drag on the economy.

However, you look at the next slide, the good thing about the mining industry, we've cut CapEx expenditure. As you can see, we're not in the high days of 2012-2013, where we were above – the whole industry above $77 billion we were spending. Today, we're below the average at about $43 billion. So, the mining industry is being conservative on their CapEx. There's not massive expansionary CapEx. Most of it is sustaining CapEx, and there's not many large new mines being built around the world. So, we have limited new supply coming into the market.

And demand hasn't been bad. If you look at the slide on the right, demand has remained solid and if you look at the various commodities, you look at seaborne thermal coal is up close to 8% growth last year. If you look at nickel, we're up above 6% growth. Copper above 2%. So, demand has been relatively good. And as I say, if you look at the left slide, with supply tightening up because no new CapEx expend, no massive CapEx and no new mines coming into the system is definitely limited the amount of supply in the market.

And to what it evolves to, as we see in this slide, actually we're going to get drawdowns of inventory around the world of the different commodities. And that gives you an idea. We've seen it. If you look at SHFE, LME, bonded warehouse, Comex, et cetera added together and you look at the world's inventories around the world, we're at record low levels for a lot of the commodities. And that gives you an idea, at copper we have 13 days supplies sitting in the inventories around the world, you have zinc down at record levels of 8 days' supply, and nickel at 34 days.

So, what does that mean with the demand growth and where do we see demand and with the supply coming in the market during 2019? So, what we've tried to do here, if you look at nickel, what we're trying to say to ensure you don't draw down from inventory, we gave this slide during December 2019 (sic) [2018] and it looks like it's still the same, not many new changes over the last three months. But what we're saying, give you an example, for nickel that you're going to have to have demand negative growth. You're going to have to go down 1.3%. Last year's demand in 2019 (sic) [2018], nickel was around about 2.3 million, 2.4 million tonnes. And we see supply only being around about 2.3 million tonnes this year. So, therefore, we're going to have a shortfall. And, therefore, you will need on last year's demand a negative demand of 1.3% to avoid drawing down inventory. So, it's obvious, as we've seen with nickel over the last few years, there has been a deficit and we have continued drawing down inventory. I think last year there was about 177,000 tonne drawdown of inventory against the exchanges.

The same applies with zinc. I don't want to go details, but, [ph] Ryan (00:36:56), you'll need negative 2% demand growth going from 14.32 million because there's less supply coming this year of metal. So, therefore, you will have to have that. And the interesting one is if you look at copper, we all know, yes, there is new supply coming from various mines, but a lot of mines are losing supply. We know what's happening at Grasberg and various mines around the world where you're going to have supply reduced. So, we don't see much supply, net-net supply.

Over the next three years, we don't really see much new supply coming into the market. And, therefore, with a little bit that does come in next year, you will need to avoid drawing down inventories, demand/supply. Demand can only grow 0.8% to avoid, because what are we talking about, we're talking demand last year of 23.7 million tonnes. This year, we believe supply in most probably 23.8 million, 23.9 million tonnes, so demand cannot grow above 0.8% before you draw down inventory.

And as we saw last year, demand will grow – last year, it grew at about 2.3%, 2.5%. So, it's clear if we get the same demand growth this year, we'll start drawing down inventory and you've seen in the previous slide, inventories – supplies at – few days, we said in copper around about 13 days. So, really if we do have more drawdowns against the inventory, it could have a very favorable effect on the market.

So, what is the investment case of Glencore? As I said, we believe we've got the right commodities, we're an attractive part of the commodities talking about their supply side, which I mentioned earlier. So, we believe nickel, zinc, copper, we are in the right commodities moving forward. And, therefore, with a limited supply/demand we believe still being strong, it should be favorable going forward.

We generate extremely long cash flows and, as Steve mentioned in his slide, depending upon commodity prices, between the $5 billion to $10 billion free cash, well-capitalized assets, we have very little CapEx to spend on growth, that's mainly sustaining CapEx and you've seen our CapEx figures and where we're going to keep the balance sheet. So, we're in a very strong position which allows us to have these compelling cash returns back to the shareholders. And as we said, with the distributions and buybacks, we should have around about $5.2 billion – we're at $5.2 billion in 2018 and minimum distribution we believe in 2019, as we said, between the $4.8 billion, $5.8 million.

And we should be there, number four of the FTSE 100 cash return yield. That's where we should be based and so we see ourselves going forward and that gives you the amount of cash that the company will be generating and not much to do with the cash other than doing these share buybacks or distributing dividends back to the shareholders. So, very compelling company going forward in respect of cash returns to its shareholders.

Thank you. I think that gives a full summary where we sit.

Q&A

<Q - Jason Fairclough>: Ivan, it's Jason Fairclough, Bank of America Merrill Lynch.

<A - Ivan Glasenberg>: Simple.

<Q - Jason Fairclough>: Just two quick ones. Apologies if they're a little techy, but I'm interested and maybe for Steve on the interplay between the RMIs and the working cap. So, RMIs actually have gone down, even as working cap, I think, has gone up. And then second just on cobalt, could you give us a little bit more color around your exposure to moves in the cobalt price? Because we've got the cobalt inventory, it seems like you're taking it mark-to-market on that. And beyond that, you mentioned that you have length in the portfolio in the trading business. So, where are these swings in the value of this cobalt actually showing up in the business? Are they showing up in the asset or are they showing up in trading or in both?

<A - Steven F. Kalmin>: Okay. I mean, RMI, net-net working capital in its conventional sense reduced during the year. So, RMI obviously receivables/payables, the net effect of that increased working capital, but that was more than offset by the RMI. So, you've had those two different factors that have been working in a conventional sense on how we look at net funding and net debt. So, in a conventional sense, working capital actually reduced.

Working capital went up. If you just look at the non-RMI part, I mean it pains to show both the explanations and how that works through the presentation of the net funding line and, of course, the net debt line. But based also what I said around where the non-RMI receivables/payables, I think that's now got to a point having increased $2 billion. It's on a more conservative footing now generally around scenarios. You can say what's that going to go do forward, so that's a more comfortable conservative balance sheet position that we're in here.

RMI, we've set at a high level as well. Want to manage through the cycles again being not more than $20 billion. It's been as high as $23 billion at various times before. It's now comfortably below that. But I still see in the absence of any price explosions across different commodities, there's still scope to bring that down further and there are some initiatives to bring it down another. I'm not saying it's going to sort of collapse from that, but at least the trajectory should even continue to be some further release from that RMI and there's some initiatives in place to do that.

Cobalt, we are – obviously as and when the industrial assets produce, they will sell almost instantaneously to Glencore. And this is – we have metal and we have hydroxide. The hydroxide is going to come in at the African assets, Mutanda, and that's about 50-odd thousand [ph] clearly (00:42:47) between the two. And then of our 57,000, there's another 5,000, 6,000 more in metal coming out of Murrin, out of the nickel business Murrin and sort of iron ore. So, that's a more of an easier commodity if you look at the sort of metal and how that and it's slightly more hedgeable and there's a more functioning market, the hydroxide market's maybe a bit more complicated at the moment.

So, obviously, our assets are exposed to the spot price, or some sort of realization of [ph] what (00:43:14) price, so the benchmarks times the payability, and we've assumed [ph] here around $11.50 (00:43:17). So, I mean that's been significantly higher. It's been a touch lower as well and that's a market that we think is starting to sort of bottom and find its strength and has displaced some of the higher cost production. There is a lot of swing production. I think as I've mentioned earlier, particularly some of the artisanals, some of the hand-picking production that may come out of DRC when prices go higher. So, obviously, you see a hive of activity and the buying continues, prices are down here and clearly less of that going on at these sort of prices.

Because of a period of oversupply within the marketing part of the business, we can't tell Katanga or that sorry, we're not buying, or the market's soft, we're not buying you. We need to continue to take it. Now, obviously, more difficult to hedge clearly in that commodity, almost impossible I would say. So, at some point, you will sort of have to buy it and then you have some – you are carrying cobalt inventory at a certain price. And if prices go down, you have to take some NRV provisions against that.

Now, we're trying to keep that as low as possible and we have a big access to the customer base and we're obviously very involved and very strong in that market. But there has been some buildup in being long cobalt. We are long cobalt at the moment within the marketing part of the business, not to any point that's going to be a materiality that's going to – that needs to be flagged unusually, but that has been a factor and will continue to be a factor.

We see the ability clearly during this period that that ought to be stable to sort of going down, particularly in fact Katanga is currently not selling and there will be a period. So, absence Katanga being in the marketplace at the moment is still very healthy demand growth and where prices now push down some displacement of some costs. This market is starting to sort of feel a bit more functional, and we should have a clearer pathway in terms of cobalt.

<Q - Jason Fairclough>: Steve, can I just push on this to make sure I understand it?

<A - Steven F. Kalmin>: Yeah.

<Q - Jason Fairclough>: So, you guys are naturally long because you've got the flow coming through from Katanga, but ultimately you can't sell that Katanga material at the moment? Or are you going to take in delivery of the Katanga radioactive stuff?

<A - Steven F. Kalmin>: No, we're not.

<A - Ivan Glasenberg>: No, we don't take delivery of it once it's radioactive. We will only take it when they clean up the uranium.

<A - Steven F. Kalmin>: Saleable, it's not [indiscernible] (00:45:43)...

<A - Ivan Glasenberg>: It's saleable right now, so it's just with Katanga.

<A - Steven F. Kalmin>: So, they are stockpiling.

<Q - Jason Fairclough>: Okay.

<A - Steven F. Kalmin>: And that's on their books at the moment and they need to fund it, sort of working capital funding, if you look at theirs...

<Q - Jason Fairclough>: And does Katanga have it on at cost or has it been marked to market or?

<A - Steven F. Kalmin>: No, no. Katanga has it on its books at a low cost of production. It's sort of the byproduct accounting that goes on. You'll see even that, I mean we spoke about this 3,700 tonnes or 3,900 tonnes which is what's been produced and unsold at the end of their books. Even at the low prices on some mark-to-market at the end of December, had they sold that at that point, there was an opportunity EBITDA loss of $134 million. So, there's still a lot of buffer at the Katanga level relative to what they're carrying. They're carrying it at very low levels of production cost at the byproduct level.

<A - Ivan Glasenberg>: So, way below net realizable...

<A - Steven F. Kalmin>: $134 million below our...

<A - Ivan Glasenberg>: Below net realizable.

<A - Steven F. Kalmin>: ...at the end of December.

<Q - Jason Fairclough>: Okay. Ivan, thanks.

<Q - Dominic O'Kane>: Morning. Dominic O'Kane, JPMorgan. Three quick questions. So, you've moved front and center in the presentation to acknowledgment of low carbon economy. So, does coal remain core to the portfolio and could we roll out coal sitting outside the current portfolio in the near term?

Second question on Mutanda, you've pared back production guidance to 100,000 tonnes per annum. Could you maybe just give us some indications of what the likely CapEx might be for a sulfide plant and also some of the issues that you're facing there and the levels of comfort you'll need to get in Congo to make that investment?

And then, final question on the RMI point, $20 billion max through the cycle, how should we think about that in terms of broader leverage? Can we link that $20 billion to a net debt/EBITDA number? How should we think about that through the cycle guidance for $20 billion RMI? Thanks.

<A - Ivan Glasenberg>: Maybe the first two I'll take. Regarding carbon and coal, yes, coal will stay in the portfolio. We believe it's an important part of the portfolio and as you can see, it generates exceptionally high cash generation because there's minimal CapEx. And you saw the EBITDA levels that we were expecting this year. So, it is part of the portfolio what we have done and we've agreed – today we produce around about a way of capacity for about 150 million tonnes of coal and we agreed we would cap it there, that's where we'll keep our coal business, no reason to go higher. So, yes, it will continue being part of our portfolio and no reason not to keep it there.

Mutanda, as we said, we will reduce because of the oxide. We're still trying to understand the oxide reserve and how much oxide we have going forward. So, we've decided to reduce it down to 100,000 tonnes where we study the oxides and we study the potential processing of the sulfides. And as you know, we have a vast amount of sulfides at Mutanda and we're having a look at the type of processing, whether we use the Albion to build a concentrate at the different variations that we can do it to feed it into the SX/EW plant thereafter. So, we're looking at the various combination of that.

I think by the end of this year, we'll have a full study of it. We'll understand it, of course, the Mining Code also affects how we do the valuation of where will the Mining Code end up. We hopefully will be negotiating with the new government. We have said before, we don't accept the way they have changed the Mining Code right now and we would like to negotiate with the new government some type of sliding scale or something of that nature which we mentioned before. We'll see where that gets to and that will all have an effect where the code will end up, how much CapEx it will need, what type of process we'll do and then we'll decide how much sulfides, oxides, or how we'll operate Mutanda going into the future.

Can you speak to the RMI, Steve?

<A - Steven F. Kalmin>: Yeah. I don't think – I mean the RMI, we've put that sort of ceiling or cap if you like at $20 billion. As I said, the only foreseeable scenario that I can see of that being tested within the business as if it was a passive reaction to high prices in particularly metals and oil where you can see that go. Now that wouldn't affect the net debt number. Of course, that would just be a funding. So, you've sort of got some sort of – in some sense you can say, well, net funding has some sort of potential ability in that scenario to go up that $3 billion, wherever that gap that we are at the moment.

But you'll have a quite a big general balance sheet/fundamental hedge around what's driving it towards that potential $20 billion. So, you'd be higher prices on metals and various other things. So, you wouldn't be $15.8 billion on EBITDA and cash generation, you might be $17 billion or $18 billion in that environment.

So, you mean your net debt/EBITDA, as we presented, should be at the 0.5, 0.6, at its worst, down in that level. So, it'll only arise in a very strong fundamental position that you don't need to put some other sort of straitjackets around things to necessarily you look at at that point, but we would be mindful of all factors, of course, if it was to get a $20 billion is the overall funding environment, liquidity, fundamentals, general access to funding because it needs to be funded in a variety of markets, either secured, unsecured, asset-backed, that can be a variety of markets as pretty cheap funding that's available for that sort of material. But at least around that sort of scenarios that you want to run these various things, I think, just putting that $20 billion is sensible as a cap.

<Q - Dominic O'Kane>: Sorry, can I just – as a follow-up question on Mutanda, so how should we think about restarting a feasibility study, new copper price assumptions, new cobalt assumptions vis-à-vis the debate about super-profits tax? I mean, how do we think about...

<A - Steven F. Kalmin>: It all goes into the mix.

<A - Ivan Glasenberg>: All go into the mix. That's how we say we're not rushing here.

<A - Steven F. Kalmin>: You need clarification on all these.

<A - Ivan Glasenberg>: We will only make that, so we're just sitting at the 100,000 tonnes. We'll review it. We wait till the end of the year. We got a lot of work to do. Number one is on the process. Number two is, as you say, cobalt, copper price. Number three is the super-profit tax. Number four is the actual royalty and tax that's going to be in place.

So, all those issue will be brought in mind looking at the CapEx and then like any business decision, we got to decide how we go forward.

<A - Steven F. Kalmin>: And you would need certainty and clarification on all these factors.

<A - Ivan Glasenberg>: Yeah. So, that's how it will take out time. But conservatively, 100,000 tonnes oxide production continuing for the next few years, definitely.

<A - Steven F. Kalmin>: And it continues for longer at this than some other things. So, you've sort of preserved. And to some extent, there has been also a right-sizing or something of cost structure in all these things. You've seen some sort of coverage between lower expats and some contractors in these things. So, it's all been around optimizing long-term value, while preserving all the optionality around these various projects there.

<Q - Liam Fitzpatrick>: Morning. It's Liam Fitzpatrick from Deutsche Bank. Two questions. Firstly, just on your asset portfolio, you own a lot more assets that your peer groups. That obviously brings challenges with safety and monitoring performance. So, is that scope to go a lot further than the $1 billion that you've announced today? And then, linked to that, I'd be interested to hear what you've tasked Peter Freyberg with near term and whether you think there are material operational improvements that can come through the business.

And then secondly on the DRC, can you just give us an update on the [ph] uranium ion (00:53:00) project? What has been the holdup and what are your expectations around timing there in terms of approval? Thank you.

<A - Ivan Glasenberg>: Okay. The first one is which assets would we sell. Yeah, we got a lot of – we got some listed company, listed things we can look at, these – the tail-in, the smaller type assets. Yes, you are correct, we do have some of these smaller type assets as to our peers. They don't carry some of the tail that we have.

And as time goes on, we will start and as we talk about $1 billion, we should do that this year. Going forward, yeah, as we move forward in future years, there are some further smaller tail assets. If we get the right prices for them or people want to buy them, we'll look at that. So, it's not as though we actively go to get rid of all the tail. There are certain parts of the tail that we do want to get rid of and we're working on that for this year. And future years will be more opportunistic if people want to buy them, there is eager demand for them and they don't fit our portfolio, we will look at that.

<A - Steven F. Kalmin>: There is a target list in there of, I don't know, five or six sort of assets, I guess, that would be part of that potentially non-core.

<A - Ivan Glasenberg>: But you are correct. Having those types of assets is a more difficult challenge on safety. We do have these fatalities which I mentioned earlier, more than some of our peers, but different peers depending on what – we do have the deep underground operations in parts of the world which is more difficult to operate because the culture of the workforce which takes a lot of time to change that culture.

We're not running away from those assets because of the fatalities. We are staying there. We're saying we are going to resolve this problem and we're working exceptionally hard to resolve this problem. So, we're there but, yeah, it is a bit more challenging, no doubt, but some of those assets do give good returns and it's worthwhile staying there, but not giving up on running those assets efficiently and safely. And that is part of the job. You talk about Peter Freyberg. He has to focus on those areas and definitely on those problem, more difficult type assets to ensure that they run better and safer. And technology-wise, yeah, that will be Peter, as part of his job, like anyone is doing with the underground mines, are there better, safer ways to operate in an underground environment with the different machinery that is now becoming available, and that will be part of his job.

Now technologically, can he reduce cost? We believe we reduced our cost. As you can see at our cost numbers, we've done a pretty good job. With our asset heads who have been running these operations, can Peter push it to a new level? Hopefully, he can. How much is really there with all of us miners trying to reduce cost? A lot of it depends upon the equipment manufacturers and what they are doing and what they are producing that we can use underground and in the opencast operations to reduce costs. But, yeah, that will be definitely part of Peter's job to look at new technology that's around and roll it out amongst the group and see where we can continue reducing our costs. But we are at a relatively

low cost base today, and as you know in the mining industry to push costs even further when you're at that level is difficult and it will need a lot of new technology and hopefully it's there.

<A - Steven F. Kalmin>: Liam, I would say on the DRC, of course, I mean, Katanga will also be releasing results imminently also through to the TSX as a separate sort of public company. They will talk more about this sort of chapter and verse as you can imagine within their own materiality and various significant events that's happening. But they'll talk about the fact that, of course, they're obviously working with our partner, Gécamines is a very key stakeholder here. So, we're aligned with them about getting approvals, addressing concerns and making sure we move forward with the different ministries and mines and environment and all these sort of things. But I think it's on track around the work and the technical work that's going on, but there'll be chapter and verse of that in the next 24 hours from their reporting. If there's some follow-up questions, you can come to us there.

<Q - Sylvain Brunet>: Sylvain Brunet with Exane BNP Paribas. Just following up on the pretty strong announcement you've made on the call this morning which is obviously positive on the [ph] SRI (00:57:05) side. I was curious to know if there was any change in your view on the outlook for coal demand. Do you still feel that we are quite distant from peak coal demand which could have implications on the price, of course, if large players don't add to that? And related to that, what is your read of the current import restrictions in China?

Second question on cobalt, what do you see in terms of buyers' behavior because it was pretty clear that next two years or so where – giving the opportunity for the battery chain and precursor material in China to restock, it doesn't look like anybody is doing much. What is your read there?

And lastly maybe to Steve on the impairments this morning on Mopani and Mutanda, if you could share a bit more on the assumptions. It looks like the price was using mainly mark-to-market as opposed to a longer-term view.

<A - Ivan Glasenberg>: Yeah. Look, on coal, we said we're going to cap it at 150 million tonnes. We've had a lot of the exchanges with our stakeholders, with our shareholders, et cetera and that's what we came to an agreement, an amount that we believe that makes sense and we'll cap it there. Now, what effect that will have on the world seaborne coal market, yeah, it will have an effect. Glencore is not increasing production. The world coal market as seaborne coal market, as you saw, demand increased 6% last year and demand went up. And if we continue having that growth of demand, we know in certain countries that continue consuming a large amount of coal and imported coal, you have India at about 180 million – 185 million tonnes, whatever it is, you have new countries starting to import a lot more, you have Bangladesh, you have Vietnam, you have Malaysia, you have Pakistan. These are countries that are now consuming a lot more coal and are consuming more seaborne coal.

And therefore, you've got to look at the supply side, where will it come and who will be increasing with most of the major mining companies not increasing coal, and some of them, as you know, selling their coal assets and no big growth. So limited new supply. You also have the situation in South Africa where Eskom is continuing to need more coal, and they don't have the [ph] mine mouth feeds (00:59:23) anymore, so therefore the seaborne coal, the export coal from South Africa, some of it may move internally. So you won't get supply growth there.

Colombia is getting more difficult as we know and you don't have bigger exports coming from there. So who will feed the new supply and demand on the seaborne side? The Russians can increase a bit subject to [indiscernible] (00:59:44) jurisdictions. And Indonesia will increase, but Indonesia unfortunately I believe will be more tonnage increase, but not calorific value increase. So yeah, if you look – and so Australia, you don't have new big supply. So if demand keeps growing, I believe it could put pressure on the coal price with this limited new supply in the market.

On cobalt, you're talking about the market and the consumers, how are they behaving. Look, they did stock up when the price was running up. We know that was probably what drove up the prices. The battery makers were building up inventory. You also had with the higher prices, you had, as Steve mentioned earlier, the artisanal mining, they'll supply more during higher prices. It's now come back and there's less artisanal material coming onto the market.

The buyers, you've also had the new tonnage will be coming from the ERG operations in the DRC. So that is adding new supply. So in 2019, you do have a lot more supply. We are subject to the Katanga issues and the uranium, we also added a lot of new supply. So the market came off, but with this new supply coming in the market, as we said earlier, it

sort of seems like it's bottoming out. People are de-stocking in China, and therefore, they will have to come in the market and start restocking. And as they see the price move up, you will see that happen.

So yeah, we're watching. 2020, we definitely believe the demand will be there, more demand, more battery, more electric vehicles, et cetera. And supply may not have caught up by then, but we've got this balance in the middle in 2019 and let's see how it washes out, but it is showing signs with artisanal having cut back, us naturally with Katanga tonnage all coming, the market is starting to put a bit more pressure on pricing, but we'll see where we go in 2019.

<A - Steven F. Kalmin>: So, Sylvain, I mean, that supply itself has not sort of chased away those sort of long-term buyers out there. I mean, they still see a point forward when you can have some triggers that can totally turn this market chronically back into an undersupply relative to sort of different things. So they still are – there's a lot of – it's not like the market's going to sleep in a medium-term sense. There's a lot of engagement with both Chinese and Western consumers about securing long-term supply and needs and how to think about pricing that. So it still is a positive market as you look towards the engagement with the consumer universe.

<A - Ivan Glasenberg>: We see a lot of consumers are coming to us to lock-in long-term supply, and the tonnages they talk about going forward in 2020, 2021, 2022 are already significant which they want to lock-in with us. Now, naturally we don't mind locking in tonnage subject to how we price it, et cetera. So, we're looking at various opportunities. But clearly, the battery makers do see cobalt being an important metal and they're seeing that it's not readily available, it is not large tonnages going forward. Of course the increases we talk about that are occurring in 2019 with us and the Kazakhs, et cetera, we post 2019 don't have much increase. The Kazakhs post 2019 don't have much increase. So, and then, who's going to be the balancing act? The artisanals, and that all depends on price. So, if we go back to the higher prices whatever it is, $80,000, okay, yeah, you may get more artisanal, but also artisanal is limited. So the buyers are seeing this and the buyers are definitely trying to...

<A - Steven F. Kalmin>: Lock it up.

<A - Ivan Glasenberg>: ...lock-up tonnage supply. So, 2019 we got this blip. 2020 we believe it starts moving again. And thereafter, there's no new supply with demand continuing to grow.

There was a third question?

<A - Steven F. Kalmin>: Yeah. On the impairment stuff, it was given on page 57 of the report, you can see all the details and the assumptions that are going in. So we don't apply – it's not a mark-to-market, you do take longer-term curves, and we tend to take consensus in the absence of any other better information around these things. So, we view $6,500 copper long-term there and $27 a pound headline for the cobalt. So, both of those are above the markets and copper not materially, and cobalt is still – there's still some sort of catch-up. So, we will – those are the assumptions we showed the sensitivities to potential movements. Now, that could be, at some point, if prices move above those things, we may have to reverse some of these impairments. It's not just always one-way traffic on some of these things.

The other thing that was material at Mopani which I mentioned up there was the asset supply, because they obviously have their smelter there, so they're not only – they are processing our own tonnes, they're also treating third-party and off a 200,000 tonnes a year of smelting operation, they do generate quite a bit of acid. The market is pretty good for acid at the moment, we've taken a renewed balance around regional things. The market's, at some point, going to contract and we've had to run that through the Mopani model and that itself was actually quite a material driver.

<Q - Sylvain Brunet>: Just the final one on the coal import restrictions in China.

<A - Ivan Glasenberg>: The what? Sorry?

<Q - Sylvain Brunet>: The import restrictions in China, how [indiscernible] (01:04:37).

<A - Ivan Glasenberg>: Yeah. I don't know how big – that's recent, that they are delaying the surging Australian cargos, there's a bit of a political issue. It hasn't been in effect for a long time. They're delaying cargos, I think it's about 30-day delays, et cetera. So, we're waiting and monitoring to see what big effect it has, what effect is going to have, when they are going to resolve this diplomatic dispute which is occurring, so let's wait and see, it's hard to predict right

now.

<Q - Tyler Broda>: Thanks. It's Tyler Broda from RBC. Most of the questions I think have been answered. But just quickly. Just Steve, just go back on the working capital. You said you weren't going to see any reversal of the move that we've seen.

<A - Ivan Glasenberg>: I assume that you're going to see a reversal.

<Q - Tyler Broda>: Right.

<A - Steven F. Kalmin>: I assume it.

<Q - Tyler Broda>: Fair enough.

<A - Steven F. Kalmin>: Don't bank on it.

<Q - Tyler Broda>: The days payable...

<A - Steven F. Kalmin>: Yeah.

<Q - Tyler Broda>: ...went down with those oil contracts. Does that not reverse though, was that not expected to reverse or is that – was that some more of a structural issue?

<A - Steven F. Kalmin>: No. I mean, it can reverse. I'm just say don't expect it, because there are so many variables that go into the working capital, that's oil. There is – we are a blend of oil and all the other metals. There is receivable initiatives that clearly will go in from time-to-time. They're sort of creating more of a balance between receivable.

We have certainly internal targets around how we want to keep receivables and payables sort of generally balanced across the spectrum which has always been again a question people have sort of raised obviously. This does reduced and this does bring those two in line, that receivables and payables. So, I'm not necessarily saying let's take payables [ph] above (01:06:15) receivables, buy another sort of $2 billion, because that has its own modeling and sort of technical floors in some of the full RMI offset which we don't – which [ph] I'd just like (01:06:29) to take all that off the table. Don't assume. But of course, there's some float in working capital that someone could reverse. I'm not – I certainly don't model it, don't expect it, it's put us in a more conservative balance sheet opening position, and that's a nice position to me.

<Q - Tyler Broda>: Steve, just a [indiscernible] (01:06:42).

<A - Steven F. Kalmin>: Yeah.

<Q - Tyler Broda>: Have you been factoring receivables? I mean, is this [indiscernible] (01:06:45)...

<A - Steven F. Kalmin>: Sure.

<Q - Tyler Broda>: [indiscernible] (01:06:45)

<A - Steven F. Kalmin>: No. No. You always say, it's not – well, factoring, discounting that's something clearly people do in the industry, it's why you can have a shorter cycle on receivables over payables, but that's the easily factorable, of course, if you're selling to BP and Shell, those ones are easier. If you're selling to some of the other counterparts, you can insure them, you can take all season things, they're less easy too. So, it's a blend across all these things. But everyone in terms of working capital efficiency would do discounting in these things from time-to-time.

<Q - Myles Allsop>: It is Myles Allsop, UBS. Just a few quick questions. In the DRC, are you actually paying the super profit tax at this point, and are you still prepared to go to international arbitration if you can't get to the stability agreement on it by the new government?

And then, I guess, the other point is sort of in terms of, in the past, I think people have admired how flexible you are with strategy and when the right opportunities in the markets like, last year, there was a coal acquisitions you sort of took advantage of that, and arguably created more value from that through the buybacks. So, if the right opportunity

came around, say, in the Agri space, would you be prepared to put the buyback on hold for a bit and make a move if it's going to be more value-creative?

<A - Ivan Glasenberg>: Yeah. I think, of the first question, the DRC, we're not paying super profit tax yet, because it's against the feasibility study and...

<A - Steven F. Kalmin>: Well, I mean, just timing-wise, super profits tax only would ever come on the lodging and the back and forth on your tax returns itself, which only gets filed in April. So, it just hasn't – there's been zero relevance of it up until now and April in terms of how that even applies.

<A - Ivan Glasenberg>: Yeah. And then...

<A - Steven F. Kalmin>: So, we are not paying it.

<A - Ivan Glasenberg>: We are not paying it. And on your other question, look, there was stabilization agreement, if we can't reach a reasonable solution, we're not saying, we're ready to negotiate and we want to negotiate with the new government. And we've given a proposal in the old government where we gave a sliding scale top royalty ratio that we were prepared to accept. So, hopefully, we can reach a negotiation with new government, and as soon as the new government's in place, we wish we would like to start those discussions. Would we consider arbitration if we cannot reach some type of agreement? Yes, we would continue potentially with an arbitration.

The second part was on, would we look at opportunities and as we did last year with the coal assets? Yeah, the company will continue to look at all opportunities that exist out there. If something comes that makes economic sense, we would look at it. However, it would have to beat and the returns would have to be as good as the buybacks are.

And as you would look at the buybacks, we value our company. We see how the company is being valued, do we see the lower multiple that it trades at? So, would it make sense to go buy something, where you're paying a higher multiple as against the multiple that we're trading at, et cetera? It would have to be a compelling situation.

So yes, if you do that, the Hail Creek-type assets, where you get these great returns based on where we thought that the coking coal price would be and where we could cut production costs, where it would beat the investment in Glencore then naturally, we'd look at that.

The Ag side, we've always said, opportunistically, we would like to grow the Ag business. We have the partner in there, we said we would do it since the partner came in. I think it was three years ago, but up-to-date, we haven't found anything that was compelling for the Ag business to do. But we'll wait and see going forward. So, we'll still be an opportunistic company, but the numbers would have to make sense and it would have to be very compelling to beat that buybacks.

<A - Steven F. Kalmin>: And Myles, it's not always like – it doesn't always mean in terms of that portfolio you can have things coming in and out as well. So, it doesn't need to be sort of sacrificing some shareholder returns. I mean, we spoke about non-core disposals as well and some unlocking and recycling of some of those things could be deployed into other growth initiatives if you're getting obviously a valuation uplift, while not compromising on shareholder returns clearly.

<Q - Myles Allsop>: Is the cap including met coal as well as thermal coal or is the cap that you're committing to just not to grow the thermal coal business?

<A - Ivan Glasenberg>: Both. Both included.

<Q - Sergey Donskoy>: Sergey Donskoy, SocGen. Most [indiscernible] (01:11:23) points mentioned before super profit tax in DRC. You mentioned that it's only payable on debt returns, but do you actually expect to incur any super profit tax with respect to your results at Mutanda, say, for the past year?

<A - Steven F. Kalmin>: We had no expectations on that at the moment. It's a complex area around what are the pricing assumptions, feasibility studies. We're obviously positioning ourselves to minimize any super profits tax that may become due and payable there but that's a work in progress, like so many things in the DRC.

<Q - Sergey Donskoy>: Okay. And also on Mutanda, with this reduction in output to 100,000 tonnes, which you expect is supposed to happen this year, should we expect to see immaterial negative impact on cash cost given there is a base, which remains more as the same?

<A - Steven F. Kalmin>: I mean, of course, that the sheer volume affect that said no change to cobalt. So, the nature of the ore body and the grades and the processing is still keeping. So, it's copper downgrade, cobalt is still getting the 25,000 tonnes. So, you're still getting – so you tell me what cobalt prices are going to do, and I can tell you what a primary sort of copper cost is clearly going to do. That's obviously a material driver. Yes, at the margin you will see some increase per tonne of copper, but we're doing as much as possible to mitigate that in terms of continuing to have a solid cash generated down there in Mutanda, and that's through some workforce reduction. There's been discussions that's through some regional optimization of services, equipment and the likes that we can do down there. So, it will still continue to be a nice earner for us.

<Q - Sergey Donskoy>: Thank you. And two very short questions. Do you expect the legacy alumina contracts to remain a headwind this year? And if yes, is it possible to provide some guidance?

And second, you mentioned in the press release $1 billion of proceeds from expected asset disposals this year. Could you remind us what are those, what do you think to cut? Thank you.

<A - Steven F. Kalmin>: Aluminum, not material, in terms of any headwinds there as we come both in – I mean obviously the market factors that they're assuming, even if market factors went the same as they were last year, the nominal exposure to that is really not material now as we've come into 2019. So, I think you can park that. Non-core disposals, I think there's no surprise we're not going to provide you the shopping list, but there is as I said back to Liam's question as well, there is sort of five or six even real assets I would say within the business, obviously more at the tail end I would sort of categorize as non-core. There is various stages of even discussions and work that's sort of going on in this regard. And that's actual operating assets. Some may even be some of these stakes. We have a few listed stakes and a few that we've accumulated through various transactions. And I think in the presentation there's a slide itself that covers some of the financial and other stakes which we have achieved on a market price basis comes up to about $3 billion those at the moment.

So, I see it as being – I don't think it's going to be one thing [indiscernible] (01:15:03) $1 billion. I think it will be accumulation of a handful of things. And I think we'll blow through that number and we'll get there at a canter based on what the pipeline looks like.

<Q - Tony D. Robson>: Tony Robson, Global Mining Research. Probably you can't say much, but anything you can say on the DOJ investigation? Are you having an active dialogue there? Or after a flurry of headlines, it was kind of quiet. And any view on the timeline? Thank you.

<A - Ivan Glasenberg>: Can't say on that.

<Q - Tony D. Robson>: Pass. All right.

<A - Ivan Glasenberg>: Nice one. Nice try.

<Q - Edward C. Sterck>: Edward Sterck, BMO. Just a question on, the last few weeks we've seen some pretty significant flooding events in Queensland. Is there any impact on your coal operations or exports or even on your zinc exports?

<A - Ivan Glasenberg>: Not much. We had a bit on the refinery I think...

<A - Steven F. Kalmin>: Well, I think it's all about an element of timing, that nothing that we've seen come through that we've seen material annual effect on some sales. Of course, there will be some sales slippage through railings of either the concentrate itself that goes from [indiscernible] (01:16:08), the rail will be down for a period of time. You can do a bit of trucking. And the refinery itself at Townsville will be down for a bit, but they have capacity to catch up and reach their full year targets there.

<Q - Edward C. Sterck>: Thank you.

<A - Steven F. Kalmin>: And on coal mining not much.

<A - Ivan Glasenberg>: Nothing on the coal side.

Ivan Glasenberg

Thank you, all. Thanks very much. Thanks.

Steven F. Kalmin

See you later.

Company Name: Glencore
Company Ticker: GLEN LN
Date: 2018-08-08
Event Description: Q2 2018 Earnings Call

Market Cap: 47,370.61
Current PX: 331.00
YTD Change($): -51.582
YTD Change(%): -13.483

Bloomberg Estimates - EPS
Current Quarter: 0.150
Current Year: 0.497
Bloomberg Estimates - Sales
Current Quarter: N.A.
Current Year: 232333.077

Q2 2018 Earnings Call

Company Participants

- Ivan Glasenberg
- Steven F. Kalmin

Other Participants

- Alon Olsha
- Liam Fitzpatrick
- Jason Fairclough
- Sylvain Brunet
- Ian Rossouw
- Samuel Catalano
- Menno Sanderse
- Sergey Donskoy
- Tyler Broda
- Dominic O'Kane

MANAGEMENT DISCUSSION SECTION

Operator

Welcome to Glencore Half-Year 2018 Results Conference Call. At this time, participants are in a listen-only mode. To follow the presentation, we ask that you navigate the slides as directed by Glencore's management. There will be questions-and-answer session to follow, and today's conference is recorded.

I will now turn the conference over to Mr. Ivan Glasenberg, Chief Executive Officer. Please go ahead.

Ivan Glasenberg

Thank you. Good afternoon. Today, we will present our 2018 half-year highlights. As you can see, we had a record first half with our financial results with adjusted EBITDA up at $8.3 billion, which is a 23% increase to the same time last year. Adjusted EBIT, $5.1 billion, which is up 35%. Net income attributable to equity shareholders pre-significant items is $3.3 billion, which is up 40% from the same time last year. Funds from operation $5.6 billion, which is up 8%.

We have a continued balance sheet strength and we have wound our net debt down to $9 billion at the half year, which is down 16% to 31st of December last year, so a significant decrease in our net debt. Once again, Glencore proves the resilience of its Marketing division, and the Marketing performance has been strong during the first half of the year with an adjusted EBIT of $1.5 billion, which is up 12%. This is because of the strong performance from the Metals and minerals and the Energy product segment, which is up 17% and 23% respectively.

There were lower crop yields in key geographies which reflected the weaker Agricultural performance during the first half of the year. However, we expect a stronger performance during the second part of the year, and we've already seen that in the early months of the second half of the year. So, that should increase during this period.

Industrial asset performance is underpinned by higher prices and continued cost asset optimization. Industrial EBITDA is up 26%, as you can see, to $6.7 billion, and that is a solid first half mine cost/margin performance across the businesses.

Copper, our cost of production is down at $0.88 per pound; zinc, negative $0.11 after by-product credits; nickel, $1.77; and the coal margin is round about $35 with the higher coal prices around the world.

The copper and zinc mine costs are higher than the initial financial guidance, which we gave early on in the year. And that is basically due to the lower by-product credits which we're getting from some of the commodities where we get the by-product credits. And, also, there is some modest energy cost inflation. However, this is helped by weighted production during the second half of the year, and Steve will take you through the costs later on in the second half of the year.

However, we have managed to increase returns to shareholders. And this has been funded by the company's own cash generation, not by sale of any particular assets, but this is the cash generated from the existing assets and the Marketing business. And, therefore, we have returned to shareholders, during 2018, $4.2 billion, which comprises of $2.85 billion distribution of dividends of 2017 cash flows; $0.3 billion of the share buybacks for the trust purchase; and $1 billion during this second half buyback program, which we put in place recently.

We have a strong confidence in our own business prospects and the current share trading levels clearly points to our near-term focus on deleveraging the balance sheet and shareholder returns and potential buybacks to the company – by the company.

Turning to the next page, looking at the half year sustainability and governance, you will see safety – in respect of safety, we had five fatalities up until today. These five fatalities are unacceptable. But what is interesting to note is that they're the first fatalities occurred in Chile, South Africa, Zambia, and two in Kazakhstan. We've always spoken – and remember, we do employ 146,000 employees across the group, but we used to have potential focus countries, where we were getting our fatalities and we're pleased to note that the two focused countries, where we had fatalities in the past, DRC and Bolivia, we've had no fatalities this year. So it's clear, we are achieving success in these focus countries. We still have Zambia and Kazakhstan to correct and ensure they reach the same levels as DRC and Bolivia with zero fatalities.

In respect of governance, we have established a board committee to oversee the company's response to the DOJ subpoena, which we received on the 3rd of July. And as you can understand, we cannot answer any questions on this issue.

And with that, I hand over to Steve, who can go into more detail on the financial statements. Thank you.

Steven F. Kalmin

Thanks, Ivan. I'll assume that you all have the presentation in front of you. I'll – to the extent that it's necessary to highlight page numbers. If I jump around a bit, I will do that during the presentation. So, on page 6, the financial highlights at very much 25,000 feet and we'll work through the details as we get into the presentation. But as Ivan mentioned, adjusted EBITDA are at $8.3 billion, up 23%. It is worth noting on that performance for the first half, we do expect a better second half performance, a higher second half performance as you'll see later on as I work through the building blocks. Based on current prices, which have obviously seen declines on a mark-to-market basis particularly in Metals in the recent weeks, on an illustrative basis, we would be reporting EBITDA of $17.7 billion, generating around $8.2 billion of free cash flow.

Just mathematically, if we were to take a six-month period and half the $17.7 billion, that would show $8.9 billion for a half year period based on that. So, we do expect a improved performance second half. And as I'll talk later on in the bridge, in the reconciliation of the first half results, there were some timing differences as well across sales and production in copper and a little bit in SGA (sic) [SG&A] as well, which also held back the first half performance which will reverse in the second half as we move forward. I won't spend any time on the other numbers, which we'll get

to later on.

So, jumping to page 7 then where we – slides that will mostly be familiar to you. We just show the period-on-period performance in the Marketing part of the business, overall a 12% increase. The two – Metals and minerals continues to be the key engine room of the firm, with a 17% increase, generally supportive market conditions, as we've said, with also an overall increase in volumes handled. We show the volumes handled within the detailed part of the financial statements. And you'll see both in the oil and copper, zinc, ferroalloys and iron ore, we've seen volumes increase by generally greater than 20% and up to 50% in the iron ore business during the period as well.

Energy products, up 23%. That's made up of coal and oil as well, improvements we've said period over period in both those commodities, which shows the strength of franchise as well. The weaker part of the slide just for that particular period was obviously the base and the materiality is much less, but we've seen a decline period-on-period in the Agricultural business. We've attributed quite a big portion of that to the wheat crops in Argentina and Australia in particular where we have both procurement and handling businesses that do depend on volumes, as well as processing margin depending on the domestic crops as well.

We have been hindered in both those locations and the general industry malaise in terms of the margins. But as Ivan pointed out as well, we do expect a significantly improved performance in H2 compared to H1, providing some tailwind for the overall business as we head into H2. We would look to reconfirm guidance again as we did earlier on the year, top half of the $2.2 billion to $3.2 billion long-term range, so that half of the top half is then sort of $2.95 billion, so clearly tracking nicely there.

In terms of Industrial performance on page 8, again, as Ivan mentioned, at 26% but increase in EBITDA to $6.7 billion and as we'll see in the next parts of the presentation on a half year basis, that should be trending higher even with the more recent reduction in some Metals prices. Hopefully, we've even reached some conservative levels around that and it's another leg of potential improvement in EBITDA and cash flows as we move forward. The big part, clearly, the Metals and minerals as well we flagged at a – some of the bigger variances period-on-period that's provided some lift. Lift is clearly the ramp-up of Katanga having gone from zero since the suspension in September 2017 – 2015, sorry.

And with the commissioning of train 1 of the whole ore leach project in December last year, that did produce 63,000 tonnes of copper and even in Q2 alone, I think it was around 35,000 tonnes, which is already almost running at the 150,000 tonne run rate. And we've confirmed guidance of 150,000 tonnes of copper and 11,000 tonnes of cobalt for this year materially increasing into next year as well. I'll spend a bit of time on the cost increases both just passive inflationary through Energy and the like and a few other cost pressures that we're seeing in the business as well.

I think a good place to just look which would cover all the other comments that have been written down there is to look at the bridge on the bottom right-hand corner. As our Industrial has gone from $5.3 billion to the $6.6 billion, clearly the big driver has been increase in commodity prices, $1.9 billion. To break that up, we've seen increases in the copper business, which is helped by the cobalt by-products and various others. $0.6 billion of that $1.9 billion is in copper. Zinc's had an increase, $0.3 billion on pricing, the nickel business $0.3 billion as well, ferro $1.1 billion. Giving $1.3 billion overall for the Metals business. And on the Energy, we've had $0.6 billion, which is coal at $0.5 billion and oil is at $100 million increase. And expanding off a low base as well, we should see some – having bottomed out in terms of our oil production in West Africa, we should start seeing some increases over the coming periods as well.

Volume was – although netted out to a fairly flat variance for the year, there has been some both positive and negative contributors and we'll be turning materially positive as we move forward as well. Some of the positive changes as I mentioned was obviously Katanga, which had delivered the 63,000 tonne of copper metal in the first half of the year.

Australian coal has also improved volumes owing to a fairly weak base period due to both industrial and weather-related issues in first half 2007 (sic) [2017]. We have acquired, have now consolidated the HVO business from May which of course brought some additional both steam coal and semi-soft tonnes into the business as well.

Some of the negatives, mostly temporary from a volume perspective, was Prodeco, 2.5 million tonne reduction period-on-period. We've spoken about a significant investment period now as they develop and set the mine up for future rates of production consistent with their normal handling levels, so they are going through some temporary

reductions in product as they move more overburden. That, of course, had a volumetric impact.

Mount Isa in copper, you've seen a reduction in copper tonnes out of that as they did a re-brick of the smelter during the first half. That's an event that only happens every three or four years. On the zinc business, there was the sale of the zinc African assets in August last year to Trevali, so, of course, during the first half. There was production last year. That was about 70,000 tonne of zinc metal. So, we didn't have that in this period. That will be more than compensated volume-wise as we move forward with the Lady Loretta tonnes and, ultimately, the zinc product and lead coming out of Zhairem in Kazakhstan.

On the gold side as well, there was also a slightly weaker production performance out of Kazzinc in gold first half over first half last year, a timing difference in the period that favoring third-party material for processing. We expect to catch up some of that during the second half of the year as well.

In terms of cost variance period-on-period, it's been a fairly modest and mostly passive increase in costs as we've seen during the business in terms of real cost, $348 million. By far, the highest aggregate contributor would have been the higher fuel prices and other energy costs. We've seen average Brent prices, as an indicator, up 34% first half of this year compared to first half last year.

Various other components that are worth mentioning period-over-period is some Lady Loretta restart costs. Can't be capitalized. They have to be expensed within the zinc business as well. That's the various costs in mobilizing the business, getting workforce set up, moving out of care and maintenance. We've had no production during the first half of the year, but there were reasonable costs to begin setting up, and we should see the production and the unit cost benefits come through in the second half. Of course, Prodeco as well, some cost effect as it goes through its near-term mine development.

The actual inflation component of $184 million, that's just sort of CPI-linked. Its average is about 2.5% for the business, much of it running even below 1.5% to 2% depending on the geography, with slightly higher CPI impacts coming in South Africa, Kazakhstan, and Argentina.

FX was actually a small negative variance for us this year, primarily due to the stronger rand period-on-period. But the rand's weakened significantly in the second quarter and beyond. So, that's now going to turn into a more positive indicator going forward. Positive coal hedging variance, or not having any, so that was an impact on first half last year which is obviously now no longer the case.

It's worth now highlighting two items which impacted first half 2018 EBITDA. You can see there's an other variance of $95 million. That's a corporate SG&A variance that impacted the first half of the year. You would have seen in the corporate column that our expenses was about just over $300 million first half this year compared to $200 million last year. The biggest component of what goes into corporate is, as we look across our entire Industrial business, is the variable pool bonus or the allocation of compensation that goes to obviously numerous individuals that participate globally in that particular contribution and incentive scheme that we do have. Historically, that's been something that has, timing-wise, has generally split evenly over Q2 and Q3 over a particular period. During 2018, this was all wrapped up before the half year. It was all done in Q3 – in Q2, sorry. That timing, hard to say exactly whether that timing will continue, but it needs to be highlighted and flagged.

On a full year basis, we're not expecting any impact. You'll see later on when we look at our illustrative full year EBITDA guidance, we talk about an Industrial SGA (sic) [SG&A] of $400 million, which is the level that we have pretty much kept at historically. So we expect very little to come through in the second half. So $300 million plus $100 million roughly is the split this year. Last year, it was roughly a $200 million and $200 million split. It was more even. So, that's purely a timing difference that would have impacted the first half of 2018.

And at this point, it's also worth mentioning, which we do talk on page 20, which I'll get to later on, is that in the copper business, we did close the books off on the first half of 2018 having sold 32,000 tonnes of copper less than what we produced. We flagged that in our production report on the basis that it was a material impact which we knew at the time. We've now confirmed the financial impact on that, because you've obviously got both the copper and the by-products coming out of cobalt, zinc and gold in particular, depending on where those tonnes were, of course, South

America, some in Africa. And there was a $298 million variance EBITDA-wise on pure timing of having not had those sales go through in the first half, that will come through in the second half.

So just pro forming for the overhead of the $100 million timing between H1 and H2 and the production, the sales timing differing in copper, our EBITDA at a group level would have been $8.7 billion as opposed to the $8.3 billion on a pro forma basis. And I think that would be a number that would – modeling perspective would contribute to all, if any, number and variances that you're currently running. We tried to flag as much early on. Of course, the overhead was only something that we could discuss and confirm today. So, that's on the Industrial.

If we then get – move over to page 9, which is one of the more important slides as we look to show the development of cost structures, cash cost structures within the various parts of the business and these numbers are, from our perspective, they're calculated to include everything from mining cost to processing to freight to royalties to everything from which to be able to – from a TC/RCs treatment, charges, everything, to then be able to drive the – based on the volume guidance that we give you, to be able to drive EBITDA. And we've reconciled the first half for you – guidance, the actual on page 20. And on page 21, this is the building blocks that will build up to the $17.7 billion of group EBITDA illustrative basis down to $8.2 billion cash flow.

Before I just move into some of the details of that page, just a few highlights from the appendix that's worth noting as well. Pages 19, 20, and 21. If we go to 19, which will make sense of some of these numbers as we go through both 2018 and I think as we think forward also into 2019. So production guidance on page 19, you can see in the chart we've shown actual H1 production. The guidance which we updated two or three weeks ago, unchanged in almost all areas except a slight reduction in lead. The 5% that we commented on, the 300,000 tonnes to 285,000 tonnes, not as material as clearly some of the other commodities and a slight tick down in coal, 2 million tonnes, 134 million tonnes down to 132 million tonnes. Minor adjustments around South America, Colombia, and South Africa that fell into those particular components.

So, off those particular guidances we've spoken about on the left-hand side, you can see quite significant H2 on H1 volume improvements which will drive performance and are impacting or factoring into the cost performance. So copper, we're expecting 73,000 extra tonne H2 on H1, the continued ramp-up of Katanga, and Mount Isa recovery, as I said, from first half smelter re-brick.

Cobalt, 29% increase, an extra 5,000 tonne period-on-period. That's the Katanga ramp-up. As you would recall, the cobalt circuit was only commissioned in March. So, you had a period which really only had a small number of months and it's now functioning very well as we've gone through six weeks or so in the second half period.

Zinc is quite significant, of course, an extra 94,000 tonnes with Lady Loretta. Lead similarly brings Lady Loretta lead tonnes as a by-product out of that, with some H2 weighted production profile at Kazzinc. Nickel, Koniambo [indiscernible] (00:20:01), you've got HVO for the full period from May, Hail Creek, which we closed that acquisition last week, Wednesday, 1st of August, and some high Colombia production as Prodeco is able to start moving back into normal operations from its temporary investment period. And also oil, you've got the Chad drilling program.

In every single one of those commodities, and we'll update the numbers in a few months, November-December when we update life of mine and budgets, we'll come back to you with 2019, 2020 and 2021 guidance. In every one of those commodities, we'll see quite materially increases, again, going into 2019 which will of course have a favorable impact both in a volumetric sense and in a cost sense.

If we look on page 20, that's just the reconciliation of the first half performance on costs. The guidance, you can see bottom left the copper production, the sales timing in respect of both the primary and the secondary products of $159 million and $139 million, that's the $298 million. And we've reconciled to you the – based on pricing that's come through for the first half and the updated cost structures as well that's come through. I'll talk about some of the reasons for the cost increases as we go back to page 9 in a minute as well.

And page 21 as well is then the full year having baked in now the full mark-to-market numbers of all the commodity prices as they are now. So, of course, this is just a point in time. If we'd been cutting these numbers six or eight weeks ago, that would have been higher because, of course, commodities both copper, zinc, cobalt and the likes would have

been higher back then. And if we cut it off in six or seven weeks' time, hopefully it's higher again. So, these numbers are – need to be taken with that in mind. It is obviously sensitive and clearly volatility. Although, as Ivan said, there's a – given both the commodity and geographic distribution and the stable commodity part of the business, it should be more cushioned than many of our peers.

So, we've run these numbers at a – you can see the spot copper prices. So, cutoff I think in the last few days or so before we finalized. Copper was at $2.80, which is pretty much where it is now, the $6,171 per tonne. Zinc at $1.21, just over $2,600 per tonne. Nickel, that was $13,400 per tonne, which I think has picked up a few hundred dollars since that, so maybe a bit conservative there. So, I'll refer to those numbers later on, but as always, we provided those building blocks.

Maybe now just coming back to page 9, and then we'll go spend a little bit of time on this slide. So, the copper and zinc business, just in the first half of the year, has been impacted by – they are two businesses that are most exposed and therefore will show sensitivity and volatility to the – both clearly the primary product is affecting the revenue line, but the secondary product that's coming out is affecting the cost line as a credit to those particular business.

So, copper is getting significant by-products for us out of cobalt of course. Zinc is a very big broad by-product normally and particularly now in Antamina, and we've also got gold out of Antapaccay and Ernest Henry and the likes and there's also some silver by-product that will be coming out of Antamina and some other operations, very sizable by-products.

The zinc business similarly is affected by very big by-product materiality out of lead and out of some of the precious metals as well as copper, because zinc, as you would know, produces 70,000 tonnes or so of copper, and we have quite significant copper as well coming out of the Canadian zinc operations as well. So, it is material.

If we just provide on a year-to-date basis against where we were in January the last time we gave some of these guidance, so – and so in the copper business what was relevant to them, you've seen zinc down 6%. This is the average prices against – for the year against what it was in January, zinc 6% lower, lead's 5% lower, copper is 4% lower, and gold and silver themselves about 5% lower. So clearly, that's obviously had an impact.

We've said some tick-up in the fuel and power prices. As mentioned before, Brent price was up around 18% from January's price to where we were for the average for that particular period. The business is very, very exposed to that diesel price and the fuel price through its mobile equipment and some power associated costs, which could also tick-up through either being exposed to coal or through oil or various other utility like prices as well as they come through.

So as we move between copper and zinc that have been affected by by-product pricing, fuel and power prices, and we've shown the effect of that, and some production that was – we've shown you the guidance on that page, page 20 against initial expectation, we've seen modest lower productions than what we might have thought for the half year. I think only about 7,000 tonnes in both those cases as well.

The bigger impact I think is as we go clearly now for the spot full year basis in costs which is the next table. I'm looking at 2018 revised, because now we're fully marking to market the entire by-products on an illustrative annualized basis. And the movements in by-products is significantly more material than obviously just a year-to-date average. So now, we're fully mark to marking the entire zinc by-product in copper at the prices of currently which is the $2,600 per tonne. It was $3,400 per tonne back in January. So, zinc is 26% less. That will have a material impact in the copper business.

Lead is 17% lower over that same period; cobalt, 13%; gold and silver is 12%; and copper is 12% as well. So within the copper business as well, we've seen the biggest impact on by-products is cobalt, zinc and gold. We've also noted some higher costs generally within the group, and copper Africa has been singled out for the reasons that I will now go into.

One of the reasons is Mopani itself. You'll see within – for those sort of more sleuthy detectives, you'll see somewhere in the production guidance we've shown not so much in its own source, but we've been treating during that period much lower third-party material due to general lack of availability within the area. Of course, you don't have that absorption

and those processing margins that we would otherwise get. We've got significantly higher smelting capacity within the business than what we are mining out of our own operations. That whole dynamic will change as the new tonnes come out of Mopani, and we launch the new shaft projects. But there was quite a material impact at Mopani during this particular period due to lack of third-party availability for treatment during that period. That's all been factored. We expect some partial recovery in that as we move towards the end of the year.

We have also built-in – I know, no doubt, there'll be a question on it later on. We have built in what's currently being imposed out of the new DOC mining code. So, we are paying certain additions on the protest. We don't agree with the application of the code as it currently stands, but the royalties has now kicked in since 1st of July or so at the high level, sort of 2% on net, it's now 3.5% on gross. And there is some additional import and export duties as well that are being levied and paid in accordance with the regulations. We've built-in that through into the copper business as well. So, that's clearly coming through as well.

And just the general, as you go through ramp-up periods, which we're still go through at Mopani and Katanga itself, there's just – there can be a timing lag associated with when you're building up and mobilizing the full teams and getting the operation set for the production, which is lagging in terms of that full production.

But as we look at the copper costs of the $1.03 for 2018, we would expect all things being equal with even prices where they are now by-product-wise, we think is generally at fairly conservative levels now. Obviously, one can mark-to-market that on a go-forward basis. But with the incremental production we have going forward in 2019, both copper 150,000 tonnes to 300,000 tonnes at Katanga with the cobalt from 11,000 tonnes up to approximately 30,000 tonnes with marginal cost being very low to deliver that extra.

We'd expect that average cost at current prices to start heading lower than that particular level. So, that trend, we would be hoping to produce in a few months, show you the reversal of that escalation and net effect from the by-product prices and the volume effect that comes through and, similarly, zinc which is seeing the same by-product effect on its business as it brings in Lady Loretta and Zhairem, you'll also see the effect of those volumes, high grades seen clearly at Lady Loretta. Zhairem, a good zinc with some meaningful lead by-product should also contribute from a unit cost perspective.

Coal, on the other hand, is being able to maintain its margins and its cost structure pretty much where it is. That is a function of the general portfolio optimization through Hail Creek, HVO sale of Tahmoor, these have all contributed to an improvement in the margin and the cost structure of the overall business, contributed through some M&A.

Timing-wise you see we've gone 52% to 50% then back up to 52%. One of the contributors there was some long-wall moves just at the Ulan mine which didn't happen in H1. Now, it's going to happen in H2. So, that's going to impact costs as we move forward. And nickel, pretty steady business as we work our way through.

So those are the main costs. We'd expect them all to – as I said, copper and zinc to start coming south as we bring those extra tonnes. Coal, steady business as we go forward, significant cash generator and nickel holding in its costs as well.

On CapEx, there's no change in CapEx, same guidance, $4.9 billion. We've left the same for 2019 and 2020 for now which we believe would remain unchanged. The update which we will look to provide at the end of year is any – is whether there's any adjustments would be required. Whether we can absorb it in these numbers, we'll just need to see the financial impact of Hail Creek. And just look to see what the program looks like at the Chevron business, the refinery down in Cape Town when that gets acquired, which is expected in H2.

Most of the expansionary as we provided last time was in respect of Katanga. INO, Zhairem, Katanga, and Chad West, all we provided slides back at the beginning of the year, and we'd look to update those slides again as we move towards the end of the year.

In terms of balance sheet, financial structure, I think the company is in as good a shape here as it's ever been. We've got reductions in net debt, as Ivan mentioned down to $9 billion. And very manageable bond maturities capped at $3 billion in any one year, which is very manageable. Just one point to highlight is the 3% increase in RMI for the period, which was $0.7 million (sic) [$0.7 billion], reflecting net higher commodity prices and volumes during the period,

some were lower, some higher of course.

Oil prices, we mentioned, was up 18% year-on-year. Just to mention that as we stand at the moment, given the metal prices have come down since that period that that increase has now been fully reversed. So we're now at levels that are below where we are at the beginning of the year and should see a continued reduction on that – reversal of that increase in the net funding line.

And all things being equal again, I would expect that we end the year less than where we started in terms of RMI, the way it is at the moment. FFO to net debt 133% and net debt now to EBITDA – adjusted EBITDA running at 0.55. And on any pro forma basis with an increase in earnings expected, that should continue to drop forward. So, pretty good balance sheet and structure.

Before we finish off to Q&A, just a quick cycle that we show on our half-year capital allocation and as we move around the sort of wagon at the top right, to maintain strong BBB, Baa, that's the priority. And then as we work through the – starting the year with net debt of $10.7 billion, we generated equity cash flows of the $4 billion, which was $5.6 billion FFO less $2.1 billion CapEx, $0.2 billion out to minority interest, $0.7 billion working capital reduction on RMI. That could be expected to potentially reverse out towards the end of the year. So, I would flag that within our own assumptions, we are assuming that that flattens out before the end of the year.

It's worth noting that in the funds from operation, tax, cash taxes were significantly weighted towards the first half. We expect a much lower tax cash outflow in the second half which would be helpful both in the FFO and the net debt sequential movement. We did incur a bit of a double impact on tax during the first half. In an improving profit environment, you then will pay tax in respect to previous years. And very often in some countries, you'll even pay provisional taxes in respect to future years. So once you've flattened out, you'll be paying more at normal levels of tax, but in an up-trending environment, you can pay double in some periods. In a down-trending environment, you can then have the ability to reverse out. So, cash tax will be much lower in second half.

We've then seen the distributions and buyback during the first half, as Ivan mentioned as well, $1.4 billion. We'll follow that up with another $1.4 billion in the second half. There was a small amount of share trust purchases of $0.3 billion. That's our independent trust that manage potential settlements under employee share programs. We just accelerated the purchases in that trust to be fully hedged now to avoid any outflows or dilution over the next three years. It would normally be something in cash flow that might have otherwise been lower over longer periods. We've just accelerated it, and that's something which will be helpful for the equity dilution and cash flow story going forward. And then, of course, HVO was the net acquisition of $1.1 billion that occurred in May, all of which to finish net debt at $9 billion.

For the second half of the year, I would just note to have plugged into models, clearly, there's still the completion or the mop-up of previously announced M&A. So, Hail Creek, as I mentioned, $1.7 billion that closed last week, so that's second half. We'd just let Chevron to complete, that's about $0.9 billion. And in Brazil, there's Alesat, which is a downstream oil business; that's about $200.2 million on the equity side. So $2.8 billion, we have to still complete the M&A program.

H2 dividend will be $1.4 billion in the buyback program. So, there is $5.2 billion or so accounted for in terms of cash usage for the second half of the year, ought to be covered almost fully by cash flow during this period and other cash movements potentially towards the end of the year will be – might be sort of as you are around the net debt levels of $9 billion depending what commodity prices you ought to have. But, clearly, then with no additional calls and commitments from an M&A perspective currently, in terms of announced transaction, we'll start next year with the business generating significant free cash flow. We'll be declaring our base distribution in February next year.

These cash flows would be sort of $3 billion to $3.5 billion. The net debt around the minimum level that we've set at this sort of $10 billion, so clearly having greater both momentum, capacity, and with eyes on the current share price to consider further buybacks as we – because we've currently committed to the existing program out till the end of the year, the $1 billion, we could of course come in December and look to continue that program again from 1st of January next year or wait until February to make some further announcements around that.

Maybe just page 22 and then we'll just go to M&A (sic) [Q&A]. Just worth highlighting for the purpose, again, of modeling is where the share count is as we see it at the moment. Given some treasury shares, trust shares that wouldn't be expected to be dilutive and are not – that are not -the lower base is eligible for distributions, and I would have thought for both valuation and accretion purposes, we're down to 14.143 billion as well, as you can see on page 22. So, we thought we'd provide that information as well given there's slightly more material movements in the buybacks ongoing so it ought to be something that's watched.

So with that, I hope it's been comprehensive enough, I think I'll hand back to the speaker for some questions and look forward to answering those. Oh, Ivan, sorry, just concluding remarks.

Ivan Glasenberg

Yeah. Thanks a lot, Steve. If you look at slide 14, it gives you an idea of the power of our diversified business, the type of commodities which we produce, and it shows the earnings and cash flow momentum. As you can see, if you look at the momentum of our commodity prices during this year, where we've had volatility with all the commodities during the year, look at our year-to-date illustrative spot EBITDA momentum, it's definitely superior to our peers. Because if you break down our commodities which we produced, you have copper which is weaker since the beginning of the year 14% negative; zinc, 21%; cobalt, 15%. But this has been partially offset by the strong coal price during the year in both Newcastle, South Africa and Colombia and the – where Newcastle price is up 17%. And you have nickel up 7% and ferroalloys.

The coal price is extremely strong at the moment. As you know, there's tightness of supply in both Newcastle, South Africa and Colombia and this is keeping the price up with strong demand definitely in Southeast Asia. This is comparative to our peers and if you look at our peers, if you compare it to iron ore, where you have the CNF price down 19% whilst you have the FOB price of iron ore down 16%. So, if you take the balance, that definitely – if you look at the slide on the right, shows the differential of year-to-date spot EBITDA momentum versus our UK peers.

We also have, as we've always said, the stability of the Marketing cash flows and as you'll see, I think we got a slide in the addendum, which shows the stability of the Marketing business even though we got the volatility on the commodity prices, the Marketing business has been extremely stable.

And as we displayed where we had higher prices during the first half of the year, we hit $1.5 billion EBIT on the Marketing business. So it's clear, the EBITDA momentum is superior to the peers who have more iron ore in their portfolio, and this has been advantageous to us during the year.

We continue to be highly cash generative at current spot prices. And as Steve mentioned early on, if you look at our free cash flow at current spot prices, we're going to have a free cash flow of $8.2 billion from an EBITDA at current spot prices of $17.7 billion, and that generates us massive free cash flow. And as we show here, that's giving us a free cash flow yield based on this $8.2 billion free cash flow, that gives us a free cash flow yield of 13%, which you'll see from the slide on the right, is a 70% premium to our peers.

So, the commodity fundamentals of our commodities, we believe, remain favorable. It's clear you've got a bit of volatility with the potential trade wars occurring. However, there is limited supply in our commodities. As we mentioned, there is limited new supply in coal. There's limited new supply in copper. Cobalt, most of the supply, new supply comes from us, and there's limited new mines being produced on – being developed on the horizon which produces our commodities.

So, we think we have the right mix of commodities, and the fundamental demand for these commodities remains robust in the world. And even with the potential trade wars and the noise around the trade wars, we don't see much decrease in the demand for these commodities, even in China. If anything, in China, with the shutdown of some of their operations because of environmental issues, demand is, in fact, looking better in certain commodities.

So, if you turn to page 15, giving you a summary, looking at what Glencore has and what it – if you look at the year-to-date, we had a record first half. We're well placed for the future. We believe we've got Tier 1 Industrial assets,

sustainable low costs, and long-lived assets, long life for reserves. And as Steve went through some of the costs, the costs will start improving when we increase the volumes later in the year and towards 2019. And, hopefully, the by-product credit will bring the costs back in line to where we were before, but a large amount of the cost rise was due to the decrease in the price of the by-product credits.

Once again, we always emphasize our Marketing business, the resilience of our Marketing business even with lower commodity prices and volatility, and that generates a large amount of cash flow. And as we always said, from the Marketing business, we will distribute a dividend, a minimum of $1 billion from the free cash flow of the Marketing business.

The benefits of our diversified model is playing out as displayed by our cash flow momentum and our earnings momentum. We are still very highly cash generative. And as I mentioned before, $8.2 billion free cash flow of $17.7 billion of EBITDA. And as I said, a 13% free cash flow yield at current share prices.

The commodity fundamentals, as I said earlier, remain favorable for us. We still, as I say, emphasize that there is limited supply of our commodities coming into the market and demand still remains robust. We generated – we distributed $4.2 billion to our shareholders over the year. And I once again emphasize, as I said in the beginning of the discussion, that is generated from our existing assets, not from any sale of assets or anything of that kind. And we will continue doing more distributions, as Steve mentioned, or we will definitely look at the current share price, and if we believe it's undervalued, we'll continue doing buybacks and returning cash to the shareholders.

So, I think that gives you the final summary of the company and how we're looking today. And as I say, I once again emphasize the strong free cash flow that we're getting from current lower commodity prices. And hopefully, with higher commodity prices, this will increase as we move forward towards the end of the year.

And I think we're ready for questions. Thank you.

Q&A

Operator

Thank you. [Operator Instructions] We will now take our first question from Liam Fitzpatrick, Deutsche Bank. Please go ahead. We will now take our question from Alon from Macquarie. Please go ahead. Your line is open.

<Q - Alon Olsha>: Hi. Thanks. It's Alon Olsha here from Macquarie. Just two questions. Firstly, on the DRC mining codes, thanks for providing clarity just on the uplift to royalties, but there are still some other pretty onerous provisions in there. Clearly, they haven't yet been implemented, the potential 10% royalty on cobalt, as well as the windfall tax and some of the other provisions. So, could you give us a bit of visibility as to when those might be implemented or the status of negotiations or discussions with government at the present time?

And then, the second question just on coal, a two-part question. Just firstly on the coal market outlook, the market's being very resilient and the spread between high spec and off-spec product has really widened recently. Could you just give us your take on what's been driving that and the sustainability of that? And then related to coal as well, you've now consolidated HVO – or sorry, included HVO into the account. Could you give us a sense of some of the synergies you plan to drive there with the rest of your business in the region? Thanks.

<A - Ivan Glasenberg>: Okay. Give me DRC. Yeah. On the DRC, you are correct. What they are applying now is a 3.5% on the gross and not the 2% that we had before on the net. There are other implications as you correctly state on the new code which we are still trying – the industry is still negotiating and trying to talk to the government.

As you are aware, we do have the stabilization agreement in place which means we should not have -from the date they changed the code for a period of 10 years, we should stay with our existing agreements. We have tried to find a compromise with the government which we – the industry has spoken about and has put out announcements where we – there's prepared to be a bit of give and take on the new code. We haven't progressed much further on that. There is

still potential discussions there. And we're debating that, continue with the government.

The industry is considering its legal – certain legal actions it can take. Nothing has progressed on that side. And hopefully we will find a better resolution with the government going forward but the industry is still working very closely together and we're looking at all alternatives. But for the moment, against our agreement, we are paying this higher royalty, and as Steve says, also some higher import tax on goods coming in. But there's ongoing discussion with the government and it's something we hopefully will resolve. But we do have the option, the industry will look at the option of legal action.

We haven't built though – yeah, as Steve says, we haven't built any of that in these numbers which we've given you and these numbers are just working on the 3.5%.

Regarding the coal, the coal market is extremely strong, as you know. Now, there is a divergence between the lower-quality coal and the higher-quality coal. It's clear the higher-quality coal, there's strong demand of the higher-quality coal outside of China and certain areas, and there's limited supply from Newcastle, there's been no new mines being built in Australia, no new mines being built in South Africa and Colombia. So, there has been an increase in production from Indonesia but that is the lower-quality coals. But the demand for the higher-quality coals is strong and continues to be strong what we see going forward.

The coal price now is running around about – Newcastle is $119, $120, whilst the lower quality coals are lower. But even if you look at the Chinese price today and you do the adjustment where China is running at about RMB 600, that reverts back to Australia if you – for that kind of coal going in, is in the low-90s. So, overall, going forward, still very strong, and as I say, we see no new production coming from South Africa and a lot more coal – South African export coal, we believe, will be required locally by Eskom. So, it's all holding well for coal going forward.

Steve, I think you can answer the one on the synergies we get at HVO.

<A - Steven F. Kalmin>: Hi, Alon. Just on the – obviously with HVO, it's only been a couple of months. I think it was May since we took sort of management control of that operation by the JV with Yancoal. So it's still undergoing. We're in our planning cycle at the moment. We're looking to both see how HVO itself within its own entity can clearly deliver synergies by looking at things differently with our partner Yancoal, as well as some of the adjoining properties with Glencore.

It's also another public company, so there's – at this particular stage is with Yancoal also on the other side and their own reporting, I think we'd look to try and coordinate something and come back to the markets around sort of November-December and give some feedback together on how that's progressing. But it's sort of first views in having been in there for a while is that it's delivering as per expectations and as being the logical owner of a logical party to be able to deliver those synergies. We're obviously very happy to be – to have the keys for that particular property at the moment.

<Q - Alon Olsha>: Yeah. Great. Thanks very much.

Operator

Thank you. We will now take our next question from Liam Fitzpatrick, Deutsche Bank. Please go ahead. Your line is open.

<Q - Liam Fitzpatrick>: Morning. I've got three questions. Firstly, on Marketing, just with respect to the DOJ subpoena. Has there been any impact on trading volumes or funding costs since then? Secondly, on strategy, given your legal issues, does this change your appetite to operate in countries like the DRC going forward? And finally, I mean you touched on this in the release, but when we look at M&A versus buyback, is it fair to say that M&A is very difficult to justify versus your current share price or should we still expect you to look at bolt-on deals going forward? Thank you.

<A - Ivan Glasenberg>: Yeah. The first part of the question, the Marketing, no, it had no effect on Marketing business and no effect on finance available for our Marketing business. Regarding going into these countries' risk, we will assess it carefully. We'll operate in a responsible, lawful and sustainable manner, if we do operate in these countries and we'll continue as long as we do it correctly.

Regarding where we look at M&A, as I said, yeah, M&A we'll continue looking at if it is opportunistic, the same way we've always said, we'll look at opportunistic type ideas providing we getting the right returns that we're looking for in those areas. As I've said today, we would require something roundabout the 15% IRR. There's not massive opportunities out there today and we haven't seen anything that really looks exciting. But if something comes along, we'll look at it. But if you look along the horizon, we don't see anything that great right now and, potentially, the best thing we could do is returning funds to shareholders or doing share buybacks. That potentially will give us the best returns.

<Q - Liam Fitzpatrick>: Okay. Thank you.

Operator

Thank you. We will now take our next question from Jason Fairclough from Bank of America. Please go ahead. Your line is open.

<Q - Jason Fairclough>: Yes. Thanks, gentlemen. Just two quick ones for me, one on Koniambo and the other one on Dan Gertler. Just first on Koniambo, I see you're ramping up the second line, you spent another $60 million in CapEx. We still don't see any financials. And I guess what is the latest and how should we think about the trigger to start actually putting some results through the financials? And maybe you could update us on the carrying value of the asset. And then, secondly, just on Dan, has your approach to dealing with the issue of payments to Dan Gertler changed since your subpoena from the DOJ?

<A - Ivan Glasenberg>: Yeah. Look, Koniambo, as we said, we should produce – we should get close to – both lines are running. We should potentially hit just short of 30,000 tonnes. I think we're envisaging this year, Jason. Next year, we should start bringing it to account, and we should ramp-up further when both lines are running smoothly. But it definitely – the plant is running well. There's no technical problems on the plant. It's just purely ramping it up.

And on your second question on Dan Gertler, we cannot comment right now. Steve, anything else you want to add on Koniambo?

<A - Steven F. Kalmin>: Jason, that was, obviously, from 1st of January next year is when we'd be looking to bring it in as a typical operation. We'd see all the financial results, EBITDA, the cost structure, start building it all then, that's the period at which that we would see a level of accounting commercial production to have been reached. So, that's our base case for now, and it will be – it would have sort of graduated to the big boys club, which is good.

I think just to that point, I mean since DOJ, it hasn't reflected how – what's sort of the resolution and how we reached obviously the announcement with Ventora back in June that they're obviously – still continues as is, which was the announcement, and how that's being treated and the agreement and the way forward, the whole approach. That's as is from the announcement that was made in June.

<Q - Jason Fairclough>: Okay. Thanks. Just to follow-up, Steve, so the latest carrying value on Koniambo and is it working well enough that you could actually think about writing back some of the value of the asset at some point?

<A - Steven F. Kalmin>: We'll have to look at that. There's a couple areas that we're going to have to look in Q4 when we update all the plans and the assumptions that we put in, that we put some impairments, historically, where they could be a reversal subject to pricing, of course. But we've got nickel and oil. We'd obviously made some impairments against some of the West African portfolio and prices where they are at the moment, sort of holding it at these levels, that would – we would obviously have to look at both of those. So, it's not always one-way traffic in terms of some of those things, and obviously the opportunity to bring back some of that.

<Q - Jason Fairclough>: Okay. Thanks very much.

Operator

Thank you. We will now take our next question from Sylvain Brunet from Exane BNP Paribas. Please go ahead. Your line is open.

<Q - Sylvain Brunet>: Good morning, gentlemen. Three questions may be, first on the – on potential non-core asset disposals that were discussed at the beginning of the year. If you are still considering some of these, and which are the criteria? Also if you could perhaps clarify a little bit your exposure to some off-takes on the aluminum or alumina side with Rusal. Does it look like the situation – or their situation with the U.S. sanctions have been clarified?

And lastly, if you could just give us some feel for your preference for dividend or the buyback in the past. Obviously, the dividend out of Switzerland was more tax efficient. Obviously, at this current share price, valuation is very attractive. How do you go about deciding the allocation between the two, please? Thanks.

<A - Ivan Glasenberg>: Yeah. The non-core assets, we don't have many non-core assets. We were talking about Rolleston a while ago because of the situation with the port capacity there and the liability with the port capacity. But with the current premium Rolleston gets today, with the low sulfur levels, there is a premium now, big demand for low-sulfur coals in Asia today, and especially in Korea, et cetera. It's something we keep looking at but the pricing we're getting from Rolleston, the premium you get as against other coals with the regular sulfur, the benefit of it is starting to look interesting.

But it's something we keep assessing. If we can get the right price for it, we could look at it, but that's the one we had on the drawing board for potential sale. But I think with the new sulfur levels kicking in place and the benefits, it's a little bit off-the-sale list but we'll see what we get there and what interest we have got from that.

Regarding Rusal and the U.S. sanctions, I think that's something you referred to Rusal. We cannot comment on what negotiations they are currently having with the United States.

The third question, share buyback, if you want to talk about that [indiscernible] (00:56:56).

<A - Steven F. Kalmin>: Yeah. Thanks. So, I mean, in terms of, obviously, there will always be the base distribution which will just come through as the – in the normal course, which will be the formulaic $1 billion plus minimum 25% of Industrial free cash flow. So, that's going to anchor a certain regular recurring distribution which, as you as you pointed out, is still from a Swiss perspective. There is some favorable tax treatment around that given some capital reserves we had both free withholding tax and tax-free for Swiss shareholders. So, that's certainly attractive.

But in terms of the overall equity proposition and share price appreciation and value of allocating capital, of course, at these sort of levels, it is an attractive source. Now, we've historically said our favoring of distributions or the buybacks historically is that we felt the market was sort of in the right ZIP codes around sort of most of the operating assumptions and some of the risk factors around the business, but then it was a call on commodity prices, which is something that we didn't necessarily want to make that call. So, we'd rather pay that, and people can come in.

Today, we have a variety of factors outside of commodity prices where we're seeing some big value that's inherent in the business in terms of probability of outcomes around delivery of our production growth, obviously, ramping up, that's obviously something. Risk adjustments that may be built into, obviously, part of the business, the coal business itself, maybe certain people that may be a little bit softer in terms of some of those long-term, we hope to see take a different view on that particular commodity and how its performing and the cash flows that are being generated.

So, you've got asymmetric factors now that are feeding into the – favoring buybacks. And for as long as that continues, and then that will definitely be a tool that gets exploited to the maximum which is what we're doing.

The last one, in fact the $1 billion announcement of the buyback that we did back in July, as we were going through Q2 and looking at our potential projections, we were always looking at $1 billion top up potentially. If we'd been talking in

April, May, it may have been a top up through a special distribution. As we went through June or July that turned into the buyback for the exact reasons that I mentioned. So, that's the thinking that we do look like in the interest of all shareholders as opposed to just Swiss shareholders, which we do need to take then into account as well.

<Q - Sylvain Brunet>: Okay. Clear. Thank you.

Operator

Thank you. We will now take our next question from Ian Rossouw from Barclays. Please go ahead. The line is open.

<Q - Ian Rossouw>: Thank you. Just two questions from me. Just first of all, on the Marketing guidance which you've reiterated at the top half of the range, if you look at the first half run rate, you're already basically at that top end of the range. You obviously made some comments around the Ag's performance that you expect that to be significantly better in H2. Does that imply that we should see weaker performance in Metals and Energy or is that just being – you being conservative?

And then the second question just around the capital allocation. On the buyback, you've already done just under $0.5 billion over the past month. And so, you roughly have the same amount left to do over the next five months, which obviously suggests that you'll slow back – or slowdown the buyback quite significantly. In the context of your comments around the share price being very attractive at current levels, how should we think about that? I mean, will you just keep the current pace and finish the buyback early or would you actually slow it down?

<A - Ivan Glasenberg>: Okay. On the Marketing, I'll handle that. Yeah, the first half was good as you can see, $1.5 billion, but that was off higher Metals and Energy prices. Coal has been up, yes, so therefore we should do well in coal. Oil is a bit up, but oil hasn't had really great fundamentals towards the end of this half.

So, I think, Metals could potentially be done well towards the second half. Let's see where that ends up. Agriculture will be up. So, hopefully it balances out. Let's see what commodity prices do in the second half. But as we've always said, with higher Metals prices, higher commodity prices, there are more arbitrage opportunities and more opportunities to do better on the Marketing business. So, we got to monitor what the Metals price does in the second half. But we will definitely have a better second half on the Ag, as Steve mentioned earlier. We've already seen during July month that it's looking a lot better and hopefully that will average it out and we should definitely get towards the top – the top end of that range by the end of the year.

<A - Steven F. Kalmin>: Thanks, Ian. It's Steven here. Just on the on the buyback, yeah, you said we've obviously – we sort of designed it in two phases. One was sort of signing the irrevocable during the close period of the £350. So, that was – that's been done sort of as of – as of about a week ago that completed. So, that was around $450. So, under the $1 billion – up to $1 billion we got $550 million left which is on a sort of an average daily compared to what we've done in the last six weeks would be – would clearly be slower.

It doesn't mean we need to be in the market necessarily every day. We're sort of unrestricted now in terms of having to – we can obviously be in the market when levels makes sense. We can stay out of the market for a while, we can see how – I mean, the greater propensity for – we, obviously had a slight weaker period in the last six weeks, clearly. As we sort of roll forward our sort of debt levels, if it was the – for the sort of five or six weeks ago and we were rolling forward sort of spot free cash flow with a $1 billion, I would have said we'd be ways sort of south of $9 billion. As of now, you sort of say, well, sort of $9 billion and maybe a touch above $9 billion, which is not leaving as much breathing space around the $10 billion, and I definitely want to be below that. So, we just need to see how the next sort of couple of months plays out. Work through the remaining part of the buyback, but stay alert to the evolution of cash flows.

We have sort of said anything materially below $10 billion that belongs to obviously you, shareholders, and we'd look to find the appropriate time to get that back and in the appropriate form. So, we just got to see how we go towards the end of year. We do, as I said, a bit of mopping up on the M&A and mopping up on the second half of the dividend. We got the buyback we need to complete, and let's see how that plays out before the end of the year.

We do have the opportunity in November, December when we come and give the more medium-term guidance. We don't have to wait till February. Either ad hoc like we even did with the initial buyback or even – I mean, potentially November, December that would be an opportunity to say do we want to just keep this thing running, start it again from 1 January, do we want to increase it somewhat. These are obviously options, but I wanted to see how the – how the sort of world looks over the next sort of month or two before making any decisions.

<Q - Ian Rossouw>: Okay. Thanks. Maybe just to follow-up on, Ivan, on the first question. Have you seen any sort of opportunities in trading or Marketing with the tariff and the sort of trade disputes, sort of – does that – has that created more opportunities in Marketing?

<A - Ivan Glasenberg>: Yeah. That will create opportunities, no doubt, with aluminum and different tariffs existing around the world on certain commodities. Any changes is going to create arbitrage opportunities. We've seen a bit premiums move in the United States when you get these tariffs and that's setting in. Yeah. So, there will be – anything where you've got change, we should be able to take advantage of and get some opportunities.

<Q - Ian Rossouw>: Okay. I'll leave it at that. Thanks.

Operator

Thank you. We will now take our next question from Sam Catalano from Credit Suisse. Please go ahead. Your line is open.

<Q - Samuel Catalano>: Oh, yeah. Hi. Good afternoon. Two questions. Firstly, just on the cost guidance increases, Steve you gave a pretty good round up of the drivers there. But just excluding the by-product credit impact, the two divisions where you've had the most increases in your guidance are clearly the two divisions where you're ramping up production. Would it be fair to say you've been a bit surprised by cost inflation not ramping up production in those two divisions?

And there's the second question sort of related I suppose is just about where to next for growth. You're obviously ramping up capacity into that latent capacity in zinc and copper. Previously, you always talked about favoring brownfield latent capacity type expansions. Where are the next ones within the portfolio and when do you think we'll be able to hear a bit more about them? Thanks.

<A - Steven F. Kalmin>: Yeah. Thanks, Sam. I'll take the cost question first. Yeah. That's, I mean, the zinc and the copper is where there is some production increases that at the margin sort of all things being equal would expect to obviously mitigate some of those cost pressures. I did in copper mention some of the more extraneous impacts around a lack of third-party material at Mopani, DRC and just generally having to probably mobilize and staff up these operations ahead of their expansion with – this is just against expectations. So, at some point, it was maybe a timing thing of how we expected some of the cost to be introduced into the business compared to a certain other profile.

Something on zinc that was – I didn't mention and maybe I should have on the call, and it was really a sort of a one-off item as well. There was – over in zinc Australia there was about a 20-odd million, $25 million take-or-pay settlement or payment on some historical freight agreements and rail agreements that had to go through the books. That was a one-off relating to sort of historical discussions and disputes and whatnot and it just happened to come through this particular period. It's a one-off that's come through the zinc business and that's obviously not part of the future. So, these are some of the smaller sort of things that each of them don't particularly deserve much attention, but you get a few of those and it can potentially add up, but we will see.

I mean, maybe there's an element of having in terms of some of the costing that maybe had built up where there was, obviously, slightly stretchy targets sort of coming in. And maybe now it's slightly more conservative and we can get three, four months down the track and see that we've actually been able to close the gap somewhat. I'd rather sort of take the approach of setting these numbers out here and setting some beats sort of down the track.

So, I don't have – I mean, these are the numbers that clearly come off the system, but that's just my own potential assessment of explaining some of those reasons as well. But clearly into 2019, having seen some more extraneous factors in 2018 and some of the production – timing of production and other factors come through, clearly into 2019, we'll be very positive, all things being equal, in both those copper and zinc businesses.

And that would be in sort of three months' time, as we do always around that time, we'd look to come and update and give the full building blocks around that and explain everything, having had another sort of strong three to four months now where the business really does go and turn everything upside down and builds everything up from the bottom upwards. Including, by the way, some of your second part of your question is when they start thinking about – subject to market, subject to latest capital, subject to latest returns, start thinking about whether it's time to either think about or to elevate or to promote any further organic expansion opportunities that exist in the business. For now, we're really focusing on those ones as I mentioned to you earlier on, which was the Katanga, INO, Zhairem, Koniambo, and Chad West oil. We have options in copper. We have some options in some other commodities. And I think it's premature now. Let's wait until November-December and we'll talk about those.

<Q - Samuel Catalano>: Okay. Thank you.

Operator

Thank you. We will now take our next question from Menno Sanderse from Morgan Stanley. Please go ahead. Your line is open.

<Q - Menno Sanderse>: Yeah, afternoon. Two small questions. First on coal, you both alluded to it, the prices are strong. You yourself see them continue to be strong. Nevertheless, the financial market, and ourselves as well, stubbornly forecast declining prices. What do you think we are missing and where should we pay more attention to?

And secondly, on Marketing and a trade war and the structural quality price differentials, intuitively I would think that would be good for the Marketing business. Nevertheless, RMIs are slightly flattish. So, how can we close the gap between flat RMIs and what should be a very advantageous environment for the Marketing operations?

<A - Ivan Glasenberg>: Yeah, I don't know what you guys are missing on coal. I suppose you missed the ramp-up to $120 and you missed the ramp-up to South Africa $110. I mean, I think people are forgetting that demand in Southeast Asia is rising. India demand is strong. China has been stronger than people anticipated. You have increasing demand in Malaysia. You have increasing demand in places like Turkey. And people are forgetting about the increasing demand. They all looking at Europe, and you got to remember in a 1 billion tonne market, seaborne market, Europe is really only about 100 million tonnes. So it's not a big effect on the market.

So, we hear about less coal burned in Europe and everyone is focusing on that. But we're forgetting about the demand which is going on in Southeast Asia and other parts of Asia. And especially India, where Coal India is not ramping up as everyone anticipated and unfortunately I think India would even import more tonnes if the ports could handle it. So, those areas are strong and demand is strong. And what everyone seems to be forgetting is there are no new coal mines being built. No one is building a new coal mine in Australia. No one is building anything in Colombia, nothing is happening in South Africa. In fact, South Africa could potentially go negative when Eskom has to take some of the export tonnes onto the local market. So, you're only getting increases in Indonesia. But what everyone seems to be forgetting, the increases in Indonesia is increase in tonnage but not increase in actual heating value going out of the country, because the increase – they're losing a lot of their higher-quality coals and they're increasing volume of the lower-quality coals. So, in calorific value, exports is in fact going down.

So, I think this is where the market is getting it wrong and that's where they're – I think you guys are putting forward coal prices round about $75, $80 going forward. We don't see it at that. And as we've seen this year, look at the numbers we're going to get on EBITDA on coal. I think Steve gives a slide on coal. At current spot prices, I think the EBITDA of coal is our top-performing commodity. I think it's around about – where we at? About $5.6 billion, $5.7 billion of EBITDA. And you got to remember the free cash flow from coal is extremely high because we have a

minimal CapEx in coal, there is not a big CapEx bill on coal, so it generates a massive amount of our free cash flow. So, I think that's the part where you're getting it wrong.

Trade wars and the effect of RMI, et cetera, you got to remember the trade wars hasn't really kicked in yet. So therefore, we haven't really started taking advantage, if the advantages are there, yet. We'll see what happens and what the effect of it is going forward.

<Q - Menno Sanderse>: Cheers.

Operator

Thank you. We will now take our next question from Sergey Donskoy from Société Générale. Please go ahead. Your line is open.

<Q - Sergey Donskoy>: Oh, yes. Thank you very much. A few of my questions have been answered, but two small ones. First of all, speaking of your coal division, I think that portfolio mix adjustment to price in the first half was a bit higher than you expected. It was $19 versus $16 that you guided. But you maintain your guidance for the year unchanged at $16, if I understand it correctly, which means that in the second half this adjustment is supposed to shrink to about $13. Is this correct? And what is your thinking around this? What will be the reasons driving this adjustment lower?

And a second question, just a small one. With LIBOR rates up this year quite significantly versus 2017, how this affects your borrowing costs? What is the average change in your borrowing cost across your portfolio this year versus last year? Thank you.

<A - Steven F. Kalmin>: Thanks. So, again it looks like a couple of questions for me. In terms of coal for the first half where you've seen a reduction in the portfolio mix, that was primarily on account of the lower coking coal prices compared to what they'd been assumed back in January, because coking coal within this formulaic calculation is treated as a by-product of the thermal coal just to try and bring it into one calculation for the coal business as a whole.

I think with the purchase of Hail Creek now which is primarily coking coal, we'll have to consider whether that's still an appropriate way to show it or whether we split up the coal business into its two components, and not have that – have it as some sort of primary component. So, we did see coking coal had a – was stronger in that sort of January period at sort of above $200 and things moved sort of into the 170s, 180s and stuff. And that clearly had an impact on – against expectations as we move forward.

On a full year basis as to why that's now contracted in terms of the portfolio mix, which is another attribute or another assumption that goes into that because it's all about discount to a Newcastle average price that gets assumed, is that we're able to achieve in terms of many of our current coal blends and qualities that historically may have been priced either against a different benchmark or may have received even higher discounts relative to that Newcastle. We're able to price coal that never historically would have been priced against the Newcastle benchmark, which would – which is achieving better returns than historically would have been the case.

So, that's essentially contracting that discount or that mix across. And our overall quality of coal generally has improved as we've taken in HVO, including the semi-soft coal that comes with that particular division was quite material as well. Hail Creek, of course, when it comes in, but that's on the coking side as well and sale of a – Tahmoor, which was sort of an asset higher cost reaching the end of its mine life as well. So, we've taken up those tonnes. So, that's the main reasons for that.

In terms of LIBOR rates, cost of borrowing, we've seen obviously LIBOR go up steadily. It sort of had a different shape. It would obviously correlate reasonably with the Fed funds rate where you've seen a few increases that's happened across the pond there. Our average borrowing during the period would have increased from around – we have some fixed costs and floating and a mixture in hybrid of debt. It would have been about 3.80% up to about 4% would be our average cost of debt based on where LIBOR currently is for the illustrative assumptions I've used more like

4.3%. So, I have baked in another couple fed rises in there into our blended rate for the purpose of the cash taxes interest and other for the 8.2%. So, there is another two rate increases that are baked into that number.

<Q - Sergey Donskoy>: Thank you.

Operator

Thank you. We will now take our next question from Tyler Broda from RBC. Please go ahead. Your line is open.

<Q - Tyler Broda>: Great. Thanks, gentlemen. Just have two questions from my side. The first one, just on the DRC. Under the current code, would you have any estimates on the magnitude of what the incremental tax could be if there were to be a request from the government for these taxes? And then secondly, in terms of following the deals with Gécamines, the mining code changes et cetera, would you be able to clarify the tax payable position here in terms of any carry-forwards? Obviously, there was a couple of changes to the deferred tax in the financials.

And then just secondly on buybacks, I guess a 13% free cash yield, your net debt level is at the level you're expected to be at. You've got production growth growing for next year. As you've mentioned on the call, you're preferring buybacks to M&A, potentially to dividends as well. Is there is there any practical limitation on the amount of buybacks that could be done? Thanks.

<A - Ivan Glasenberg>: Yeah. On the DRC code, it's very hard to estimate what it would be under the new code because you got to go look at your regional estimated project, et cetera, and you work off that. So that – it would be difficult to do it right now because we don't understand exactly how the code would work and that's what we currently in discussions with the government because the super profit tax would be a complex calculation, so that one will be hard to estimate.

DRC tax payable, Steve can talk to that and [indiscernible] (01:18:46).

<A - Steven F. Kalmin>: Yeah. Hi. Tyler, on the DRC, I mean, there's an accounting area here as much as a sort of tax area in the DRC particularly in KCC, which is the Katanga operating subsidiary. There is significant tax losses currently in that business as they've sustained losses during the suspension and ramp-up period. And of course a lot of interest that's gone into funding that business. So, they have around $4.2 billion of tax losses down there, most of which is not being recognized in the books as well.

So, we've said – noted a conservative approach within the accounts as well. We've said, based on the introduction of mining code, but that's probably a lesser thing there. It's more around just getting validation of the ramp-up and the sign-off of all the recap and everything else, is that given all the uncertainties we've deferred the decision on the way that we want to book some of those losses. If we did fully bring in all those losses, you'd have $700 million or $800 million of additional deferred tax asset. But that's all accounting. That doesn't sort of change much in any of your own models.

In terms of tax, what that does do is of course shelter some tax, income tax that would be paid at the sort of statutory rate down there of the 30%. You can't use it fully down there in any particular year. There's a system down there, where you can use of taxable income in any year that you do generate which we expect to very shortly become taxable within KCC given its ramp-up. 60% of that taxable income can be offset by carry-forward losses, which then gets obviously carried-forward and 40% would attract some tax as well.

So, clearly there will be some cash benefit or some tax shield at that particular operation. None of that's been assumed in the illustrative free cash flow. We haven't built in – so this, obviously, the existence of those losses will even during in actual as opposed to illustrative sense will – on account of that particular operation, will result in less cash taxes actually being spent over the period until those losses are exhausted. That's the only place that we currently have any meaningful tax losses still relevant for that purpose, and certainly that hasn't been booked into the accounts.

I think in terms of buybacks, you just asked what the – any limitations on amount of buybacks. I mean, there is none other than buying back in terms of levels that is in accordance with EU rules around market abuse and limits and the

likes. So, essentially, there is guidance of ranges of less than 10% that you can buy in any given market. Safe Harbor rules around there, potentially up to 20% and various gray zones in between. So, we obviously follow those and take guidance accordingly, but that's the only sort of practical limit based on liquidity and appetite in terms of how one could execute buyback programs.

<Q - Tyler Broda>: Thanks very much. Very clear.

Operator

Thank you. We will now take our final question from Dominic O'Kane from JPMorgan. Please go ahead. Your line is open.

<Q - Dominic O'Kane>: Hello. Just quick question on coal. Could you just give us some guidance on the percentage of thermal coal that you're selling at spot versus contract and how the contract timings evolve over the next 6 to 12 months? Thanks.

<A - Ivan Glasenberg>: Yeah. I think most of it is spot, because we have sold some – we sold a lot of tonnes on the Index. So, a lot of it is floating on the Index even though the physical tonnes has been sold. We've got a certain amount in Japan, which is fixed pricing. My gut feel for the balance and lot of the Japanese we priced recently and we back-priced it to the 1st of April because there's a 1st of April starting date. I would imagine we most probably, 15% – on the 135 million tonnes that we have, I'd say most probably 15% is fixed priced.

<Q - Dominic O'Kane>: Okay. Thanks.

<A - Ivan Glasenberg>: ...much less, and historically because the Japanese – some of them have started pushing towards the Index pricing. So, that's a figure I don't know exactly, but I imagine it's around about there because a lot of the tonnes have been sold that has been sold Index priced.

Operator

Thank you. Ladies and gentlemen, that will conclude the Q&A session. I will now pass the call back to your hosts for any final remarks.

Ivan Glasenberg

Yeah. No. I think that – thank you very much for the questions. I think the main thing we wish to emphasize on the call is the massive free cash flow generation of the company. And as we said, we're generating at current spot commodity price is roundabout $8.2 billion. And as you, guys, picked up on the call, that's generating at least 13% free cash flow yield.

And with that in mind, we definitely for the first time, well, not for the first time, but we were always talking about rather dividend payments but – because we don't want to take the risk of calling the commodity price. But we believe there are fundamental situations right now. We believe the market's getting it wrong, and, therefore, we got to look carefully and we'll continue looking at share buybacks as the best option as against any other M&A or other opportunities which may exist out there. And right now we believe buybacks may be the best returns we can get for the company.

So I thank you for attending the call. Thanks very much.

Operator

Ladies and gentlemen, that will conclude today's conference, and you may now all disconnect.

Company Name: Glencore
Company Ticker: GLEN LN
Date: 2019-12-03
Event Description: Business Update Call

Market Cap: 31427.2689005
Current PX: 235.649993896
YTD Change($): -55.7000061035
YTD Change(%): -19.118

Bloomberg Estimates - EPS
Current Quarter: 0.08
Current Year: 0.165
Bloomberg Estimates - Sales
Current Quarter:
Current Year: 214079.267

Business Update Call

Company Participants

- Unidentified Speaker
- Ivan Glasenberg, Chief Executive Officer
- Peter Freyberg, Head of Industrial Assets
- Steven Kalmin, Chief Financial Officer
- Martin Fewings, Head of Investor Relations and Communications

Other Participants

- Sergey Donskoy, Analyst
- Liam Fitzpatrick, Analyst
- Ian Rossouw, Analyst
- Paul Gait, Analyst
- Unidentified Participant
- Myles Allsop, Analyst
- Sylvain Brunet, Analyst

Presentation

Unidentified Speaker

Good afternoon, welcome to our 2019 Investor Update Presentation. Thank you for joining us here today in person or via the webcast. Today we have Ivan Glasenberg, our CEO; Steve Kalmin, our CFO; and Peter Freyberg, Head of Industrial Assets giving an update on our prospects for the next three years.

I'll hand it over to Ivan.

Ivan Glasenberg, Chief Executive Officer

Okay, good afternoon. I'll first present, then Steve and -- then Steve -- Peter and then Steve to give an idea on business case on which we will talk about how we differentiate Glencore from other mining companies and the advantage we have etc., and where we see the markets and what we see going forward. So we'll talk about all these issues and then will go in more detail. Peter will give more detail on the production and Steve on the financials.

So if you look at the markets today, where do we see the markets today, what's happening in the market. It's clear, the markets are pretty well balanced, the markets look very tight and we've seen a large amount of destocking of the inventories whether you're taking to LME, share fee [ph] of LME, etc., we've seen the inventories rundown in most of the commodities which we handle.

What we do see happening is -- getting the commodities out of the ground, is in more difficult regions and the easiest stuff is disappearing. We've got to go to Africa, we've got to go to Russia, we've got to go to more difficult regions to get the commodities which we produce. So we think supply starting to tighten up because of the difficulties in mining in those regions. We believe we will position for key future growth because of the type of commodities we have, urbanization and other 2 billion people coming into the world over the next 10 years etc. Electrification, the mobility, electric vehicles and the decarbonization of energy which is occurring in the world today. And so we believe with the

demand that we see in these -- with these different scenarios and the supply side which I spoke about, we believe market should start potential, which is a strong potential for our commodities and we should be moving into more positive territory.

Our business, we got a unique combination of our assets and the marketing which we just talked about. We've got a larger marketing business. We talked about it. The amount we make in the marketing business that we've always said, with EBIT of $2.2 billion to $3.2 billion, and it continues to be strong and assist us in ensuring that we're marketing our products which come from our mine in the best available manner.

We got large long life assets. We now -- if you look at all our assets, the first quartile assets, they're low cost producers and they have a long-reserve life and if you just take example which people seem to ignore about the quality of our assets and Peter will talk about it later. If we just look at copper today, we got three of the best copper mines in the world today. If you have a look at Katanga and we will talk about Katanga in detail, with these cobalt and the benefit of these cobalt created, one of the lowest cost producers in the world, when it ramps up to 300,000 tons. If you look at Collahuasi, Collahuasi operating well. It's a mine that will produce 500,000 tons. It has the potential over time to build up to 1 million tons. It has the reserve base to do that. And we all know, Antamina is one of the lowest cost mines. If you look, whether you call it a zinc mine or copper mine because of the by-products that it gets from the material.

So we have a great set of copper assets. If you look at our Zinc assets across the board, our coal assets first quartile long term large life reserve mines. We've always said, if you look -- we've also got growth which -- internal growth projects. Peter will take your details through some of those, where we can expand the production of our assets across the board and we've given a detailed chart on that.

The marketing as I said earlier, it's been countercyclical. We know, and commodity prices have fallen in the past. The marketing is still been strong and the marketing has been within the $2.2 billion to $3.2 billion range. When markets are tight and commodity prices are higher, we perform better and Steve will talk you through some of the marketing prospects going forward.

It's a highly cash -- the balance sheet, we've said we're going to run a robust balance sheet. We're going to aim to have a net debt to EBITDA at 1 to 1 ratio. We go to maximum limit that we will have on the date of $16 billion, which Steve will give details about later. So we will continue to maintain a strong robust balance sheet going into the future.

It's highly cash generative business with CapEx coming down and going down to sustaining CapEx in the future down to $3.7 billion around about there. And you have a look at the free cash flow we will generate so -- at today's spot commodity prices we'll be generating around about $4.4 billion free cash. So that's pretty significant going forward. What is our big creating value in our business? We've got an experienced management team. As you know, most of our management team have been in the company for a large length of time. Most of the people within the trading business have been 15, 20 years there and we've also got good asset managers around the world who are taking care of the assets.

We also like to say that we differentiate a bit in the market. We focus on value creation and therefore we're not all about growing and building mines just for the sake of building mines. If we believe mines don't give the right NPV, there is no reason to reinvest the capital back into the business and we rather to return cash back to shareholders, whether we do -- share buybacks or dividends, the idea is not just to growth for growth sake.

We're very cautious, where we put our money back into the business, whether it's acquisitions, whether it's expansions on brownfield expansions, greenfields, we're always concerned about greenfields. But we're very focused on getting the right value for our cash and rather returning it to shareholders than putting it back in the ground. Flexible business, and we adapt to change quickly and you've seen, we're very much focused on volume. We're not there about just creating value for the sake of -- we all about value. Sorry, not volume. You don't see us expanding mines as I said earlier, for the sake of just having a bigger volume. You will see us pulling back on volume. And we get a lot of lack, people say we didn't hit our volume targets and Peter will talk about that later. And a lot of the reason we don't hit sometimes not a volume target, because we took a decision to cut back on volume. Because we would rather leave the material in the ground than pull it out when it doesn't create value. And it's not adding extra value to the asset.

So you've seen us do it in the past and it's a continuous thing that we do in Glencore. We're always assessing all our mines and we say, does it make sense to increase the volume. The material is going to stay in the ground anyway, no reason to pull it out when it doesn't make -- doesn't create value, and you've seen us do it. We did it in the past in Zinc when the Zinc price was $1,300. You remember in 2015, we cut back production and we know the effect it had on the zinc price. We believe rather pull it out of the ground later on which we are doing today when the zinc price is towards $2,400. The same, you saw us do it in coal. We've done it in coal over the years many times when the market was weak, rather leave it back in the ground, you've seen us do it continuously in Colombia, whether it is at the Cerrejon operation, whether it's the Prodeco operation. If we feel that does not make economic sense, if the markets cannot take those tons into the market and it won't create value, we pull back, we've done at a coal.

And more recently, you saw what we did in the DRC at Mutanda, we decided to shut the Mutanda mine. It didn't make economic sense, with the cobalt price where it was, to the copper price where it was, put the mine on care and maintenance. It therefore will be dug out of the ground -- as you know, we've talked about it. Peter will give more details about it. In two, three years' time, when it makes economic sense, we'll put Mutanda when we studied the -- the sulphides will then decide when to bring it back into full production. But meanwhile, that's very important within Glencore, it's all about value rather than volume, rather leave it in the ground, pull it out at the right time and it may affect our volume targets, but from a value point of view, it makes clear sense.

So with that, Peter will talk about, as I just told, talk about the volume, the details of the mines, the operations, how they're performing today. I leave it to you, Peter.

Peter Freyberg, Head of Industrial Assets

Thanks very much, Ivan. I'll take you through the operational side of the business. The outlook over the three year period is essentially flat production in terms of copper equivalent tons. And what we are seeing is that, we have good changes obviously in our zinc and oil and increases over the period that I'll take you through, but this offsets some of the reductions we're seeing such as the shutting down of Mutanda that is currently underway.

Just in terms of the growth that we talk about within the presentation, obviously, we've seen the benefits of some of the investments that we've been doing over time with Katanga ramping up and finally, that will be coming back on stream early next year. I'll talk a bit about those details, certainly with where we are going with Katanga at the moment. We're seeing some reasonably robust growth in zinc, driven by a couple of areas. But one of them, again being something that we've invested in, to offset future declines that we have with some of the operations within Kazakhstan and within South America and Canada.

And coal, we are seeing fairly flat, although we do have a project coming in. It has been held up a bit with permitting, but coming in nevertheless. And nickel, we will talk a bit about what's happening at Koniambo. I know that's one of the focused assets that people are interested in. The declines are pretty much where we expect and what you've heard about before with the tender coming out of the system and obviously some of the late life assets such as Matagami and Iscaycruz in -- Iscaycruz in Peru. What we are seeing is the benefit of some of the long-term work and investments that we've been doing. We are seeing how we respond to the cycle. Again, the tender is a good example of that, having determined this year that in the current market and partially as a result of the new fiscal regime and tax structure within the DRC. So that business wasn't giving us return. It makes sense to pass that up, notwithstanding the fact that it is a source of a large volume of cobalt, again value ahead of volume.

But really what this does demonstrate and when Steve takes you through the earnings, is the power of this diversified model that we have and its ability to give a sensible return through the cycle. If we then just chase even in the bottom part of the cycle, we don't just chase the volumes when they lose money. I'm not going to go through the details on this, because we will be talking to it on each commodity group. But obviously the intention areas will be copper, zinc is quite interesting to see how that grows over the next several years. And also, oil business which is showing some, up the growth there and value growth, and Steve will touch on the earnings benefit of that.

Talking about the focus assets and these are the ones that we spent a fair amount of time discussing at the last presentation. Just a quick update on Katanga. We -- and it essentially achieved everything we said in the last meeting and we continue to remain on track to deliver. We're pretty comfortable with the 235,000 [ph] target that we set ourselves earlier this year. On the copper side having understood some of the challenges that we had and we are hitting that on a very, very consistent basis now. The cobalt which previously had given us some challenges late last year, early this year is all on spec. We did have some issues starting up the dryers. The first dryer is now in operation, running at about 60%. The second dryer will kick in early next year. So we don't have any -- we don't see any issues with achieving our targets that we set ourselves for next year.

And that has been well publicized in terms of producing desirable on spec cobalt. The acid plant, we signaled last time that it would be like Q1, for the start up, that remains on track for that. The electrowinning plant, particularly electrowinning plant 2 where we've got a major hand on replacement program on track as we said previously. So Katanga is growing real well. We've got a new management team and there to some extent. We brought some extra people in. We're now very comfortable with the structure that we have in place and the skills and pretty good about where that project is going.

Mopani, as you're all aware, we had to enter into an early rebuild on the smelter, that is tracking well. The rebuilt should be finished towards the end of this year and we expect ramp up in the first quarter of next year. Koniambo, Koniambo as, I think everybody is aware, we had a pretty tough first half. Second half has been very consistent operation. We have seen the best power plant performance that we ever had at Koniambo with -- modest, almost all of the power generated through the coal units and they are performing very, very consistently now. And in fact, we've had some -- we had 43% improvement in power generated into the mid plant. Smelter, the improvements there, we've had again significant improvements on furnace online time in the second half which has increased by over 50% and obviously, the fair nickel production goes with that, noting that in the first half we had some scheduled downtime, because we are getting consistent operating days to the extent that we've had our best 60, continuous 60-day period in that plant in the history of Koniambo.

And together with that -- obviously get other improvements, such as improved recoveries where we've seen a 14% improvement in the recovery in the second half compared to the first half. So although our nickel output isn't where we want it to be in the long term at this point in time. We are trending at levels that allow us to achieve the sort of targets that we've been setting ourselves for next year and then appearing in the guidance that you will see later on. And that allows us to continue to build in terms of reliability and steady operation which means that over the next few years, we're going to be targeting around 30,000 to 40,000 tons per annum, and we continue to target 50,000 ton annual output as a long-term target.

So really, as far as I'm concerned, sound progress with the focused assets and certainly my team, fully understand the importance and the value associated with delivering against these assets making sure these assets perform. Just looking at copper guidance, again reasonably flat through the period. And we have separated that, the African assets form the rest of the world. There is a modest decline which, going from this year into next years fundamentally with tender. And then we see the result, I guess of the steady state operation coming in those African assets particularly Katanga as it ramps up we expected to reach a steady state sort of levels towards the end of 2020 and as I said previously that's on schedule.

There are some copper tons that do come out of the system, but they're principally at non-copper managed assets. So you've got reduction in copper operations such as the Integrated Nickel Operations in Canada. We got a small reduction of copper coming out of zinc and obviously, mines like, Kidd mine as well. The cobalt guidance at 43,000 tons this year is, reflects Mutanda is still operating and then we are -- as you probably have seen in the media we are in the process of actually shutting the tender right now.

And you see the decline in cobalt tons coming out. The 29,000 is mostly achieved at Katanga, the 29,000 guidance, plus or minus 4,000 [ph] is obviously as you'd be aware, some tonnage coming out of other operations such as (inaudible) and a small amount out of the Canadian operations as well.

Looking at coal guidance, we've revised this year down a little bit. It's principally come about because of the reduction within some of the Colombian operations and we've also had to have a safety outage at one of our South African mines. We do see the tons decline into next year. That's fundamentally as a result of some higher ratios at some of the Australian operations and a reduction that one of the underground mines in Australia where we have two longwall moves rather than the usual one longwall move. But after that the profile flattens out. Within that profile, there is also the United operation, which is a 50% joint venture of which our share is ultimately 2.5 million tons over the period. It starts -- it really starts producing towards the end of 2020.

So each area, generally steady sort of production and as we'll talk about in the marketing later, there are some slides on it, in a world where it is difficult to permit mines and where we are seeing coal demand growth. We would expect for the returns on that tonnage should start to look quite interesting. As I foreshadowed earlier on, zinc has got quite an interesting profile and you'll see, there is quite a bit of variability across our diverse portfolio that we have there. We are seeing and included in that is the Antamina zinc where we are seeing some very significant increases over the next couple of years. It's just the nature of the scan [ph] deposit you go through these periods of high zinc. And in fact, there's a little bit more zinc than copper in the next couple of years. But that then declines again, and that's the top of that bar chart.

But also we are commissioning our Zhairem project in Kazakhstan and that ramps up next year and then grows very rapidly. It produces a significant amount of zinc in 2021, but then trends towards the steady state sort of output of around 150,000 tons of zinc per annum from 2022, 2023 onwards. Australia, very steady outputs at McArthur River and George Fisher and Lady Loretta complexes and South America, something over nothing and down [ph], we have not included in those numbers, you'll see it in the footnote, our Volcan business, which is quite an important tonnage for us. It is included in that, but within our South American operations, we are seeing a bit of a decline towards the end of the period as a couple of the mines such as Iscaycruz come out of the system. But we have Volcan which is a very important resource for us that we'll fill those gaps over time.

So really interesting things. Nickel guidance, I talked to what is happening at Koniambo, and as I said, I'm actually pretty pleased with the steady state as I said, we're not happy with its absolute level of output at this point in time, but we will be in the 30,000 to 40,000, the lower end of 30,000 to 40,000 range next year. And we will see that grow over the period with ultimate target as I said, being around 50,000 tonnes. But we are getting great performance out of the power station and the mid plant itself is starting to perform in a predictable and perhaps more reliable way.

I know you will see that integrated nickel operations, we actually have tons coming down, we've known this for some period of time. And it's a result of the Sudbury operations volume coming down, which is something that we've seen for a while. However, because of decision making that was made some years ago to win to ramp up the Onaping Depth, we have a bit of a decline, but then it picks up again. And in fact in 2020 -- just beyond 2022, we see the nickel output in the Integrated Nickel Operations normalized again. The projects that we have there with the two new Raglan operations are on schedule, I sat with that team about 10 days ago. And went through those projects in Canada, and we are satisfied with the way that they're heading. Murrin -- Murrin continues to be a good performer. It's output is very consistent through the period and it continues to have that sweetener of a little bit of cobalt in there which, when we get a good cobalt price is very beneficial for that operation.

Oil, this is -- and Steve will talk later on, about the earnings associated with this E&P profile. But we are building up from something that was in terms of EBITDA, $150 million to over $650 million over this period, which is pretty exciting for the oil business. It's associated with some decent work that's happened in Chad in terms of the Badila oil field that is sitting at the bottom of that bar chart. And with -- I think from the work that we've done we're seeing some steady growth in volumes there.

Then, what we are seeing in Equatorial Guinea is actually the oil equivalent of the gas that we're producing and we are in the process of bringing in the gas project in the Alen field and we expect that will be really kicking in and starting to produce from quarter 1 2021, very, very positive project with very short paybacks. So it's something that's been a good development for us. And obviously Cameroon is a little bit of -- Krim on top of that with the volumes increasing in Cameroon, as we get to the Bolongo field producing.

So -- excuse me, so steady over the period in terms of volumes. But we do need to look into the future in terms of what options we have to increase output when markets in the -- when the markets are right to do that. And as you know, we don't like to bring the volumes on until we think the market can accommodate those volumes without damaging the rest of our business. And we have a -- we do have a tremendous suite of opportunities and options across our mining portfolio. So you will see the projects listed there, I think we will all be familiar with resources and reserves that we have in those business, but Coroccohuayco project for example is very well positioned so that we can maintain levels of output at our Antapaccay operation in Peru. That typically runs at around 200,000 tons of copper and Coroccohuayco is there on this boundary. As the grades go down, and Antapaccay provides us the option to obviously invest and maintain those sorts of levels of output.

Ivan spoke earlier on about the Collahuasi project, or opportunities that is a reserve and resource that just goes on and on and on for decade after decades. And obviously as the market demand increases and we're talking a bit later on about electric vehicles and decarbonization and the impact that has on demand for copper, but having projects such as Collahuasi sitting over, some projects, highly productive, highly profitable line, but having that optionality sitting within Collahuasi to grow that business is of massive value to us as well.

And then also obviously want to talk about Mutanda. We've taken that offline, we are progressing the studies there, at the pre-feasibility stage and we will decide how we and what we do with that when the time is right. There are number of factors that we will need to consider including cobalt supply demand, but also the tax regime and progress has been made with the DRC as to whether or not that facilitates bringing that asset back sooner rather than later. Nickel, we are progressing those projects, the Nickel Rim Depth which was technologically very advanced operation. It's -- it will be the first all-electric whole mine underground. It is reaching depths and temperatures that other mines don't.

But we remain very confident like that is a -- it's a great project and it allows us to take iron ore complex back to the levels of the previously, yet in terms of nickel output. And obviously the Raglan II, Raglan project, and there is more upside around those Raglan projects in terms of the ore body that -- it's a tremendous body and is a very important contributor to that region.

Zinc, I touched on Volcan earlier on. It is an incredibly prospective area. We have a wide range of projects within Volcan that are being studied. The couple had already been brought on in terms of small open pits over the next year or so. And that remains an interesting prospect for us in terms growing our interest in that business, if that's a doable venture. In Kazakhstan we are currently getting to the last six to nine months of the construction of around the Zhairem project. So that comes in next year with lots of big tons next year, but the year after that, starts bringing some very significant tonnages, but we also further have a number of options there where we can grow our zinc business as demand comes about. And on -- in coal, we've always talked about the fact that we do see demand continuing at current levels, particularly with growth in some of our stations in Asia. And we have a fair amount of optionality there to bring projects in to meet that demand as it arises.

And some of them are continuations of existing operations, such as Glendell and Mangoola and Bulga as well as the HVO extension and we've all seen where the power of those reserves at HVO are. But also more recent prospects such as the Valeria project that we acquire from Rio Tinto about 18 months ago. Probably the most important thing I can end on in terms of the operational update is, where we are with safety.

And last time I spoke to -- we said that we were in a bad place and there was also an acceptable and the reality is we're still in that bad place in terms of number of fatalities that we've had year-to-date, 16 and all. And if we look at the details in there, we can see that the majority of them are in our Copper African Operations. But we've also had a significant number of fatalities in our Zinc business. Our coal business has had a fatality as well as our alloys business, both of those occurring in South Africa. This is a -- this is something that has shocked the business through the core. We know that this is something that we have to deal with and we are dealing with it.

In terms of the African operations right from when we started having a problem in Zambia, we brought in a very significant team to work through that business. And certainly, if you look at Mopani today, it's a very, very different business to what it was when we had those fatalities. It continues to have challenges, but we have looked at the actual management structure within Mopani and made very significant changes there. In terms of how accountabilities are

structured, in terms of how training is done, we've changed the rosters [ph] on the line. We have done a major review of the contract operations within that business. And we do believe that we have said -- probably on the course for to be successful in terms of its safety outcomes.

Similarly, the DRC, we've got a lot of new people on the ground there. We have brought in some additional resources to help us work through the problems that we have there to make sure that we fully understand every aspect of those operations, all of the hazards associated with it. And if we eliminate those issues. So within our African operations, we've had very significant intervention, and I personally had been within those operations six times this year. And we will continue to maintain a senior management focus on those until they are absolutely right.

As far as zinc is concerned, currently we have a team of 30 people working through our Kazzinc operations addressing some of the -- what we think are shortcomings there, it's proving to be a very cooperative and very structured and hopefully very successful process. I was there about three weeks ago, I'm there again next week working with the intervention team plus the Kazzinc management team.

We are going to eliminate these fatalities. And we now, what we have to do, where we have safe work working well in our business across suite of 150 assets, it works very, very well and we have a very large number of assets that run year after year, large suites of assets that run year-after-year without serious incident.

So we do not have to do it. We just need to make sure that these focus assets, the challenge assets that we've got it in place and working. We're not in a good place when it comes to safety. We do know what we have to do, we are doing it and we will turn it around. Steve?

Steven Kalmin, Chief Financial Officer

Hi everyone in the room and those that may be listening or watching through the web. Peter has taken a few slides that I historically would have covered in this presentation. So that's lightened my load, so we'll just jump straight into some of the financial building blocks and the way we see the business in terms of closing in on 2019. But more importantly as we look towards 2020. So as in previous periods, we've tried to give you some expectations on some cost build-ups for 2020 and I can give maybe a few points beyond that. So copper was the key one that we clearly had with some underperformance at Katanga, Mopani in a cost sense. And in the delayed sales of cobalt, all these things, of course, with applying cobalt as a byproduct towards the copper costs that we have within that business.

So the -- in terms of the graphs, you can see at the bottom, '18 was obviously actions, the 2019 H1 update, that was the full year guidance update that we gave back in August. We're not going to be freshening that up now. We don't see any great need to do that at the moment and we'll obviously in couple of months, we will see all again for actual delivery in respect of the 2019 performance, but the 2020 is then predicated on the production profile that Peter went through as well as what our cost expectations are for 2020. So we will, we think we will be turning the corner reasonably materially on the copper business as we go from 2019 into 2020. You can see hopefully that's a peak of 156 and 120 [ph], so ex-Africa, we've been pretty stable at that 101 down into the 80s, that's the rest of the business.

Including Africa, it's peaking up at 156 reducing to 120 with some further downward pressure on that unit cost towards 2021, once Katanga is towards the 300 and we are normalized our level of cobalt sales and the cost structure is again more optimized around the particularly the acid plant coming in through the first half of next year which will significantly reduce the cost structure of that business as well.

So later on you'll see based on the 1.3 million tons copper at that cost structure, we'll be doing at spot price, it's down on copper and its byproducts, around $3.6 billion of EBITDA in copper, which will be a pick up on this year, notwithstanding the reduction in Mutanda. Those were not contributing cash flows from both the free cash flow or an EBITDA given the copper-cobalt and cost structure and tax structure within that particular business.

On zinc, nothing has changed in terms of overall cost structure. It just looks spreadsheet wise like we've got some tick up in unit cost per ton of zinc produced. It's just we're adding quite a bit of zinc mathematically. That zinc is not proportionately bringing the byproducts like the gold we have as well. We obviously have the vessel costs of the

operation which is steady at around the 500,000, but the growth in zinc tons as Peter mentioned, primarily coming Zhairem, a little bit of lead, but essentially a zinc operation in the Peru, the restart of Iscaycruz as well. So quite a big pickup 150,000 [ph] ton you can see on the zinc side. And you just throwing less byproduct absolute volume across bigger tons. You've reduced the structure with the overall shape of that business that the 2020 would produce around 1.7 billion of EBITDA in the zinc business as well.

Nickel at the 125,000 tons flat cost structure, they are stable unit cost to second quartile cost structure as we see that particular business as well. That producing EBITDA around 0.7 billion at that level as well going through a little bit of a dip in INO exactly as Peter said through the depletion of some of the older projects and the new investments we're doing in the Onaping Depth around Sudbury as well as the Raglan extension, so we should see that -- it's just outside the forecast period when you see that additional pickup beyond into 2023.

And then the coal -- then the coal is the dip next year as Peter said down to kind 135 million, that's a bit coming out of Australia and a little bit coming out of Colombia, fairly stable cost structure and the way we see current net pricing. It's quite a complicated model that we throw all the ingredients into of new castle that you got stable domestic pricing in some countries, you've got the coking coal byproducts, you got the various quality differentials, you've seen some closing of the gap between some of the European, South African FOB pricing in the last three or four weeks. I think there is -- on some benchmarks, we've seen some $30 per ton increase is particularly APOs [ph] in the logs coming out of Colombia. So that's all thrown into the big part and you have an average realization of around 70 or so to current price and giving $23 margin across 135 million tons which around $3.1 billion of EBITDA into 2020.

So where we have lost -- I mean where we have managed tonnage around the overall market, where we have reduced tonnage. Generally it hasn't come at the expense of cash flow on the contrary, may have been converting negative consumption of cash flow into a more positive cash flow environment. You've seen that, we don't give the numbers over here, but ferrochrome also in South Africa is a good example of that as well.

Well, you can see earlier on in the profile dropping 100,000 tons of ferrochrome and that is very much in response to the current weaker ferrochrome pricing environment as well. We'll then move into CapEx as well, a few things have changed on the footprint, some of the accounting. I've tried to do a bit of a like-for-like, but overall, fully loaded CapEx around $5 billion over the next three years, 2020 to 2022. That's up from around $4.8 billion, when we're here 12 months ago looking at average from '19 to '21. In the middle of the chart, I've tried to show what's more of a like-for-like comparison against last year and what's our either additional accounting and or footprint within the business as well that would explain some of the moments. So we've got an average effectively $0.2 billion per annum uplift over December. There are various ups and downs and downs, and I'll talk about some of those.

But essentially, also the Astron business. That's the downstream refinery and marketing and distribution done in South Africa, which we closed in May this year. That wasn't part of any of the numbers that we had last year. There was an expectation that that would close, staking it well, but it wasn't baked into any of the numbers at that particular point in time. Now we can also come and show what the cash flow and the EBITDA profile of that business as well looks going forward.

The impact of the new leasing standard, it will be familiar in your various coverage universe, I think we'd be modestly affected by compared to some other big oil and gas companies and the likes. We had pretty much, all your previous operating leases would now been capitalized, and we'll also -- similar type transactions will be -- similarly treated going forward as debt like and CapEx obligations going forward.

That itself is around $200 million, $0.2 billion for periods '19 and '20 of things that were already baked into our business plans that are now coming on us effectively CapEx and capitalized as now. A good example of this, for example, in the next year or two, we will have to replace a big ice breaker ship up in up Raglan given the territory up there. It needs to work. This is a piece of equipment when you do buy. It has a life of about 20 years.

This is a typical leasing type of vehicle that you have. We been running with operating lease expense. That's a piece of kit, that's going to have to be replaced in next 12, 18 months at somewhere in the order of $100 million. That's going to change in geography in terms of where it goes. So that's essentially in the -- some of that sort of infrastructure type

things that may have been least late in the past. We've also got some -- which would be no different. I would imagine within industry itself. It looked long and hard around all the different 150 sites and looked at where we need to allocate and spend a little bit more money around even being more conservative and robust around tailings [ph] done, structure and reinforcements and just building in more and more buffers around some of the technical probabilities and statistics and events that goes into.

So these are being led through the industry, that led through Canadian standards, is the variety of the industry moving towards trying to -- obviously get the market comfortable around that we said, your list [ph] that obviously looks. So I guess this is an additional money that's been built in and allocated within the budget during that particular period. And those are all negatives in terms of some extra Astron, there's some extra leasing, there's some extra TSF that's going in there. Less on the other side, there has been offsetting savings just around project not using oil contingencies and Fx savings that have come through Mutanda for example obviously in scope that obviously come out of that.

So looking at '19 like-for-like, we would have been $4.6 billion. So there's an extra 4 -- $0.4 billion that's coming around the capitalization at leases and obviously the Astron, next year as well will be $5.5 billion, fully loaded $5.1 billion on like-for-like, $4.7 billion and it does go on to 2022 which is the period currently will be beyond the current investment cycle. That's not to say we're not going to come in and initiate and talk about some of those other growth options at the appropriate time as Peter spoke towards as well.

We're also doing a little bit more work around some of the various studies drilling feasibility wise that does allow one to push the button and to monetize some of these projects was a bit more that's going into some of those studies, be at Polymet, be at El Pachon and copper, there's a bit more money that's going into overall drilling and studies across that business.

On the far right, so oil, it's hopefully, it will generate a return, we think that the returns, the IRRs, the paybacks are sufficiently robust, particularly in E&P side certainly over time on the Astron side. So what is the potential EBITDA of that industrial business look like going forward from a rounding era clearly in 2018. And then even this year in '19 to, it's sort of $65 a barrel. You get over $650 million in 2022 and with exactly at the time that you CapEx profile also then peaks and starts turning south. We have significant free cash flow generation coming out of this business at that particular point in time.

The marketing part of the business, unfortunately not going to tell you too much or update too much on that front. Other than suffice to say will be within the range even after the cobalt mark-to-market adjustment that we spoke about back in the June number. There was a $350 million non-cash amount that was announced of course with the pickup in cobalt prices, particularly on the back of the tender going to care and maintenance.

It's now back to about $18, it's now back, so into the $16 of course some of that $350 million would have -- would not be that number. It would be a lesser number, but even post cobalt, the fully absorbed number as we go through to the end of the year, we will be tracking within the range as we go forward.

So we would -- I think 950 [ph] net of cobalt for first half. So the combined effect of all that will move us into the range as we speak as well. In the absence of anything that you know, we know, the business itself, the performance of the overall business, we think that market conditions for 2020 middle of the long-term range is a fair sort of anchor for now as we move forward in terms of the marketing range as well. So coming forward in a month or to and we'll tell you where we finished up for the year.

In terms of building blocks, cash flow generation at spots, despite some tonnage declines be it in chrome, be it sort of pulling with the Colombian coal, whether it be some of the other business that hasn't come at the expense of cost structure margin generation, that's exactly the thesis both Ivan and Peter spoke to the value of the volume thesis. So this is building up the way we would see at 2020 illustrative cash flow generation, EBITDA spot price $12.4 billion, made up of the copper-zinc nickel coal.

The other is in the 0.4, which is a combination of oil for alloys. Other bits and pieces, less than $350 million or so, the SG&A and the marketing EBITDA that's midpoint EBITDA. The 2% -- $2.7 billion that we just spoke about, $2.7 billion cash taxes, interest and other coming through based on that generation, that's obviously, interest rates will be

coming down a bit. So we've seen some reduction in funding costs from just below sort of $3.9 billion to more like $3.7 billion or something on an overall blended between fixed and floating exposure that we have.

And that's CapEx -- cash CapEx at the $5.5 billion less the $200 million of capitalized leases. So that's going to be the cash generation at spot prices that we go through. In the appendix show on page 31, I'm not going to go there on the slide itself, but we have provided some of the sensitivities. Against those assumptions as we stay at the moment. So top four would be copper, 10% sensitivity against those numbers around $700 million, 0.7 against current prices. Aussie dollar, interestingly, makes it at number 2 on the podium, around a 10% followed by coal and zinc, on the top four as we go through those.

Then we -- just finish up, a page on balance sheet and capital structure. Generally, as well as you know this year 2019, distributions and buybacks, that was the $2.7 billion base distribution, $0.20 paid in respect of '18 cash flows. The $2 billion share buyback program is nearing completion, will be done by the end of the year. Again appendix, 29, I think it well shows the latest share count and the projection towards end of 2019. We would have bought back a little over 7%, I think if the -- overall shares since the share buyback started July last year and the all-in purchase price, if you've been tracking that is less the dividends that have obviously been safe through forgoing that on the shares would roughly be sort of at the money -- sort of at the money sort of circa about we reported. 2020, you know the minimum distribution policy. That's obviously anchored in around, around being able to model something, given the free cash flow generation, 4.4 billion that I've just obviously run through at the current prices, would be seeking -- in the absence of any, any updated and further news around macro and developments that of course, we would reflect the latest news and understanding and projections of the business.

And prospects of the business going forward in February, but we'd obviously we would seek to match 2019's distribution of $0.20 when we -- when we get to the end of the year, being comfortably well covered, $4.4 billion cash flow today covering that $2.6 billion, 1.7 times. We would obviously, we have our Chairman here in the audience he will be presenting over a meeting in a couple of months to clearly discuss, and upon, and what's the appropriate level for 2020.

Net debt maintain that $10 billion to $16 billion range, augmented. Well, I had put a footnote now there, and footnote 1, is reflecting the new leasing standard industrial leasing. I'm not looking to make any adjustments to that particular range. So the ice breaker I mentioned obviously fleets that we may choose in the future to release of our contractors to bring on to the balance sheet that will be certainly covered within the range.

I'd be looking to exclude within that range, not for the purpose of net debt, EBITDA ratios or whatnot, but the marketing leasing that will come on to our balance sheet that is -- it was around $0.6 billion at the end of October. I don't know what is going to be from month to month, because every time we go out there and charter a vessel for 15 months to handle, this is within our trading business.

Maybe $10 million a month, whatever you're paying suddenly there is a $30 million lease liability or something for a very short-term things. So you can see, there was $0.6 billion primarily chartered vessels and storage facilities within the business and more than 50% of that, of those commitments expire within a period of two years. So there are very short term sort of consumable logistics type aspects of our marketing business that can go down to zero, it can go to 1 billion, these things is clearly not part of your long-term capital structure. So just for the purpose of $10 billion to $16 billion, I think the guidance should be seen in the context of normalizing for that. But after net debt EBITDA level we're 1.24 at June. As Ivan said we'd look in the current period to try and move that more and forwards towards one times as opposed to not letting it go up.

It's not die-in-a-ditch sort of one times, if it's 105, 107, 117, these are all pretty conservative numbers as you would as you would all attest to. Non-core asset disposals, yes, the $1 billion target is still something which we are chasing internally for non-core long-term asset monetizations. We've completed about $0.3 billion, not much of this sort of fanfare around that stuff, it's a whole collection. There is shipping assets and other infrastructure, smaller stakes in listed companies and likes and some other monetizations. But it does add up throughout around $0.3 billion and a variety of other areas in the same infrastructure, shipping long-term loans, long-term receivables, VAT. There's all sorts of things from which could ultimately liberating and lock some cash that, that's part of that asset that clearly within a

modeling or an asset sense is not something that you would otherwise be accounting for building into the underlying cash flow of the business as well.

So, with that we will let Ivan wrap it up.

Ivan Glasenberg, Chief Executive Officer

Okay. So how is Glencore positioned? We think we're well positioned as I said earlier. We got the right commodities. I don't want to repeat on this slide too much, but as I said and has been proven over the last two years. If you look at both nickel and zinc, there has been a deficit and because of the deficit you take nickel over 2017, '18, there was about 150,000 ton deficit in '17, about 180,000 ton deficit in '18 and '19 a bit less around about 60,000 ton deficit we believe.

So, if you look at nickel, we've reduced the stocks considerably over the last two, three years and we're down to 15 days consumption, which is extremely low. Very low zinc, as the -- as you see the graph, there has been a zinc deficit over the last two, three years and we've run down to three days consumption sitting in inventories around the world and the same goes for copper.

Now if you look at copper, what is interesting, demand for copper has not been great. We all know what's been happening in China in the first part of the euros, picking up now towards the end of the year, that we see more grid spending and there is more spending on the grid. So demand is picking up, for demand of copper but it is not been great during the year. But even if you look at it with the mines that are reducing production and new mines coming up to production, we don't believe there was most supply growth during the year. In fact, we believe a slight deficit.

So even with falling demand we still had a drawdown of inventories down to tender inventory and as you can see from the graph there that's extremely low if you look at historical euros. So we believe the commodities, which we handle, the key commodities copper, zinc, nickel. There is a shortage, these potentially demand picks up around the world, especially with copper hopefully next year with more grid spending, more consumption of copper, we will see the market starting to pick up as the inventories are at these low levels. So we will need lot more supply coming into the market. So looking way, we're well positioned. As I said earlier, with urbanization occurring around the world, especially in China, more urbanization, increase in the population, another 2 billion people in the population by the year 2050. That benefits all our commodities, you can see definitely with infrastructure, consumer spending, etc., should be good for our commodities.

Thermal coal, we know we are competing with renewable energy and you will have more renewable energy and therefore, coal will have to coexist with renewable energy, but coal still forms a large base load of the energy supply in the world, in electricity generation. So to give you an idea, if you look at the energy in the world, we believe today what we know today, coal represents around about 26% of the world's energy supply. By the year 2030, we believe that will go to on to run about 22%, 23%. However, even with reducing to those levels, because you got to remember, renewables cannot fill this gap. Today renewables represents I think around about 7% of electricity supply, it will potentially grow by the year 2030 to 18%. So therefore coal solely as to form a big part of that base load.

Now, as I said earlier, going down from 26% of energy's production, down to 23% of energy coming from thermal coal. You're still going to be more on thermal coal. Today, the world consumes around about 7.5 billion tons of thermal coal. In 2030, even with the decrease down to 23% will be consuming around about 7.6 billion tons of thermal coal.

So even if you look at just pure electricity to get just the energy, electricity today coal producers around about 38% of the world's electricity. By the year 2030, we predict it will go down to 29%. Even at that level, electricity today consumes around about 3.5 billion tons of coal going down to 29%, will still consume around about 3.6 billion tons of coal. So therefore, the consumption of coal will continuously to increase even with this now renewables can fill the gap, but not enough of the gap.

So we believe coal has a future and will be required for the base load energy in the world going forward. Electrification, we all know about the EVs and the effect of EVs on the major commodities, predicting around about 580 million electric vehicles will be existing in the world by the year 2040 and I'll go into more detail what we see

going forward by the year 2025, but naturally bodes well for the bulk -- import of our commodities, nickel, cobalt and copper, which we all know is going to be utilized in the vast amount in electric vehicles.

Thermal coal, once again, I've spoken about it, demand continues and especially in Asia, and I will give you a graph on that later on. To talk the effect of the demand for thermal coal and the increase of thermal coal in Asia.

Decarbonization of energy, wind, solar, the amount of copper, that's going to be required in those traditional energy systems, renewables will create more use of the copper naturally. And as we said the battery system, storage systems and there is going to have an effect on both nickel and cobalt. And so that even as we go more into renewables we will be utilizing more of these commodities.

And once again I said thermal coal will have to coexist with the renewables, carbon capture storage, I think it will become an important part of the energy used in the coal-fired stations. They left to have more carbon capture to ensure that we burn coal a lot cleaner. So looking, going forward -- sorry, wrong one, just as I spoke earlier, but if you talk about CO2 emissions by 2030, we'll require additional copper, extra 22 million tons of copper by the year 2030.

So, that gives you an idea. Today what the copper markets around about 24 million tons. We will need to use over the next 10 years. Another 22 million tons, which gives you an idea. We will have to grow around about 3.6%, annually copper production. And as you know we're during 2000 -- 2018, we've only grown at about 2.6%. So it gives you an idea, just if you look at wind mills, soley the amount of copper, that's going to be required by the year 2030 with this decarbonization effect very good for the copper demand.

Okay, if you look at electric vehicles, what is the effect, we spoken about this before at various conferences and the effect of nickel demand and cobalt demand on electric vehicles. Today the world produces around about what's it about 2.7 million electric vehicles a year in 100 million ton -- 100 million market per annum. So we utilized about 95 metric tons of nickel in today's 2.7 million vehicles.

Going forward to 2025 we predict that there will be about $11.5 million electric vehicles being produced per year. To get there, we going to have to produce another 330,000 tons of nickel per annum to meet that demand. Today, we produce which is utilizing electric vehicles at the $2.7 million, our forward about 95,000 tons. We're going to have to increase 330,000 tons taking it to 425,000 tons of nickel per year produced by the year 2025.

And today we produce about to come a 2.4 tons of nickel. Cobalt is even bigger -- a bigger story. If you look at cobalt today, as I said, the same story 2.7 million vehicles being produced today, utilizing round about 27,000 tons of cobalt. Going forward to the year 2025, once again, 11.5 million electric vehicles, we're going to need another 73,000 tons of cobalt, that's taking us up to 100,000 tons of cobalt per year. Noting today, we only produced about 120,000 tons of cobalt. So there is no doubt, the effect of electric vehicles will have an extremely positive effect on the demand for cobalt and nickel going forward.

Coal, as I said before, this gives you an idea of what's happening in the world as coal. As I said, it's still going to be base load. We're still going to be burn more coal by the year 2030, than we do today even with a decline or percentage of the energy mix. But gives you an idea, if we take a look at all the new coal fired stations being built around the world today, especially in Asia, by the year 2030, we're going to see demand growth increased by about 160 million tons. The slide just the graph down below shows you the new capacity, which has been built, which areas, Asia, North Asia, plus 20 million tons; Southeast Asia, plus 55 million, sub-continent, plus 55 million; Middle East, plus 30 million, that gives you an idea of 160 million tons new coal -- seaborne, I'm talking about seaborne coal is required in the world today.

So the demand does increase. What is happening on the supply and those are -- there is no storage that's new coal fired stations. We know all being built and will be up and running by the year 2030. So we're talking Bangladesh, Pakistan, India, China those areas, Malaysia, Philippines. They are being built. So we're going to need that over there. What's happening on supply? We all know supply is getting more difficult to get finance to open up new coal mines getting difficult. Peter spoke about the permitting issues, that you get in various countries to get permits is getting tougher.

The other thing is Indonesia. Today, we all know, Indonesia produce around exports right about 425 million tons of coal, around about 42% of the world's demand. New coal fired stations being built in Indonesia. Indonesia is not going to continue exploring 425 million tons, 450 million tons of coal. It will decrease and therefore we're going to get this supply shortage. There is no question and that graph shows you over there. How drastic the supply shortage can be done -- can be going forward.

Even look at our operations in Colombia, Prodeco has got a shorter life. Cerrejon doesn't have a massive long life. So therefore, you do have depleting coal mines throughout the world. We have a look at the coal mines in South Africa, we know which ones are depleting and what's happening over there, what's happening in Australia and not many new coal mines being built. So if you have a look at the graph, if you do have the plan, new supply, provided, people can get the finance, provided, you can get the permit, you still got a large deficit going forward. If you take, if people don't pull those new mines and there is no expansion, we've got a bunch of mines, Peter gave you an idea of where we could expand our operations, but if we do nothing and we let our mines deplete, without plan, they plan new supply, look at the gap we have there. So that's a question, what can fill that gap?

Renewables ain't going to fill that gap. There is not many other places the world is going to go. So it gives you an idea. Even though coal is so called a negative commodity, but the demand and the power consumption which it will need especially the impoverished nations and as I mentioned, the ones where their oil buildings is new coal fired stations, they're going to need the supply from these operations. And as I say, if the planned new supply doesn't come into existence, we're going to have a deficit.

So that gives you an idea, the different commodities we have and what our priorities going forward. I think we've covered most of these points. Peter gave a detailed description, issues on health and safety and how he's dealing with those, and he's got a big program. He gave the full details of that to ensure that Glencore is fatality-free going forward.

Ramping up, the developed -- the ramp up development assets we spoke in detail about them last time, Peter updated you how they're performing now and Katanga, the one that we had the concern previously, it's performing well, Mopani smelter will start in 2020 and Koniambo is the last ones we got to get operating stably and to eventually get it to its 50,000 tons nameplate capacity.

Soon Peter will get us there. Just us wait and see. Operating efficiency and capital discipline, we spoke about capital discipline. How important it is in our company. It's not about just building new mines, increasing production, it's all about what is better to this company, returning cash to shareholders or keeping it in the company to ensure it adds to the value, the NPV of the portfolio and we look at that all the time. Balance sheet we spoke about, Steve gave the full details. We've got a robust balance sheet. We will maintain a robust balance sheet going forward and we will live within those criteria which we have laid down for the company.

The last thing we always talk about is the transition to a new generation of leadership. Therefore it will continue to occur in this company. We've said we've gone this -- I think I'm the third generation of the leaders of this company. There are few of us still left, the old guard and we got to transition to the new management during the year and we will do that very shortly. We'll start having the transition moving forward to ensure that we got a top younger new generation to take over the company going forward.

To leave with all those issues, the confidence and the stability of the company is well set for the future and that gives you an idea, making sure all these priorities are put in place. We believe we are in a good position going forward and the company will achieve its required results going forward. Thank you. Questions? Martin, are you doing the questions?

Questions And Answers

Sergey Donskoy, Analyst

Thank you very much. Sergey Donskoy from Soc Gen. Three short questions if I may. On page 16, the quarter guidance specifically in nickel, I'm looking at this chart, I think that looks like Koniambo is going to have costs in the ballpark of about 50,000 tons which taken into account of sustaining CapEx means the mine is probably approaching with right now. Is this all that can be expected from Koniambo going forward until prices increase and hopefully bring it into more cash flow positive territory or you expect some cost reductions down the road?

Second question. Cobalt shipments at Katanga, I think that from third quarter results, it's -- the mine continue to ship below our production, when do you expect cobalt shipments to normalize and basically come in line with the production of volumes fourth quarter next year? And finally on the zinc production profile, you expect production to increase by basically 300,000 tons to drop to by 200,000 tons in 2023 which, it looks a bit counter-intuitive, you're basically increasing production exactly, when the market has seems to fund as a patch which goes a bit against your value over volume strategy. Did you consider -- and then maybe taking a more gradual approach to expansions, or what's, possible at all? Thank you.

Ivan Glasenberg, Chief Executive Officer

Steve, you can add on some of those, the cobalt, you got those numbers?

Steven Kalmin, Chief Financial Officer

Okay. So, in the Koniambo, you're right mathematically that it's about trading at the moment at the sort of annualizing towards 30,000 let's say, in terms of tonnages at the current pricing of 40,500 [ph], but that's clearly not where we expect Koniambo to be long-term. No way, some of the potential upside, maybe in nickel margins. So there's work to get it. We are annualizing at 30,000 it's not where we're going to be for the full year this year. We took about 30,000 to 40,000 as being the range where it's going to be over the next two or three years.

So at that level, that can start either higher prices or just that increase in production and cost absorption. And now from having gone through project to an operational, like we would do it every asset, they are looking at where -- where there may be additional cost efficiencies which is easier to do when you are in a more steady state. And sort of rather than a continuous sort of project monitoring mode. So yeah it's trending long term, which is not a bad place relative to where it's been that's over the last two or three years. And once you start seeing that progression towards a long-term 50,000, pick your nickel price, it should start being a cash contributor. Is it going to be the sort of obviously nickel price whereas it will contribute nicely over a long period of time, because it does have a very long life and extensive reserve base as it has within that --within that business. Anything else, on Koniambo, Peter will add.

Peter Freyberg, Head of Industrial Assets

No, I think that covers it. We have a number of initiatives there obviously getting the volume. We make a big difference. And we are looking at cost cutting opportunities within the business. So working on both numerator and denominator to make it more profitable.

Steven Kalmin, Chief Financial Officer

Katanga, cobalt shipments has been obviously a very slow period for cobalt ships, not that the market necessarily needed more cobalt to be shipped. So -- it's -- it just would have affected Katanga's own stand-alone prospects, which it is obviously as a separate company. But said, two issues to deal with, one of which was uranium contents that was identified about 12 months ago.

It's currently processing content that's almost 100% compliant now within applicable regulations, that's been steadily increasing during the 2019. The second ratio, which has then been that's sort of delay in further generating both

saleable as well as executing those sales is the drawing capacity which was delayed anywhere between three and four months and that's now just up and running. Now, we've had the first dryer, as Peter said operating 60% capacity, then another dryer will come on next year. So that will be a progressive process where it's going to be able to sell what is currently producing which is much saleable. So if you assume 100% inspect 60% of what they producing, and increasing over time. That saleable, it will start getting shipped across the border and there'll be a catch-up over time of the backlog that either needs to get dry as well as uranium dealt with which these solutions to do that over time. So it will be --it will be a big pickup in cobalt sales clearly and we'll be taking the place of time there in terms of the sort of market-facing volume that's obviously coming through.

Ivan Glasenberg, Chief Executive Officer

Now, but just on Katanga, on the cobalt side, that's really not the end of the world, in the market that's how we should be supplying it into the market. And by the time we do catch up and you're selling the -- your own production against the market, hopefully the market will be in a position and can absorb that and that's the right place to be. So right now, with a bit of a backlog, not the end of the world suits us.

Peter Freyberg, Head of Industrial Assets

Just, on the zinc volumes. We are seeing and you would have seen on the graph that the zinc coming out of Antamina goes up and then reduces again in 2022. That's just, that's just the characteristic of the ore body, when we go through this very, very significant increase, actually starts kicking in next year for the next two years. And then there is also a release of -- large release of zinc in 2021 from Zhairem project.

So we're going from zero Zhairem, ramps up to a very significant amount. And then only guess the steady state 2022, it actually drops down again. And that shows Maleevsky mine is starting in Kazakhstan, is also starting to reduce. So -- there is a bit of a balloon there, but we start leveling out after that.

Ivan Glasenberg, Chief Executive Officer

I think, if you say, should we be doing it, because it's barely of a volume kind of thing. It's beyond our control, really Antamina, because it's a by-product, which is coming, there is nothing you can do about the reserve body. So even if I said to the guys, can we reduce the zinc from that operation, etc., it's impossible. You've just hit that reserve body where you got to do it, produce that amount of zinc.

Steven Kalmin, Chief Financial Officer

But I think also knowing that we have this profile you sort of spike up and then you go down in 2022 you have, I mean Antamina normalizes and you have some of the smaller assets in Canada and Peru deplete reserves. This is a production profile, the sales profile could also look different. So I mean that's also, that's something you could see some temporary just buildup in inventories and sell it over a longer period in time. So that's also something that one, many just winning the business.

Liam Fitzpatrick, Analyst

Liam Fitzpatrick from Deutsche Bank. Two questions on the asset base. The first one, I mean, you mentioned the quality at the start, but you do have a long tail. So is there any ambition over time to expand the divestment program or are you pretty happy with the asset base as it sits? And then secondly, perhaps one for Peter. If we look beyond the problem assets at the broader asset base that you have, I mean do you see a lot of scope to improve operations and take

out costs. And is there any timing or sort of quantification that you can put around on that? Thank you.

Ivan Glasenberg, Chief Executive Officer

Okay. I'll talk about the tail. Yeah, we always look at the tail. We do have a bunch of assets there that really don't add much value, but there is some of them do help on the trading business, and therefore it's a debate. You know smelters, etc., which ones you keep doing, a keep does it help on the trading. So we're reviewing it all the time. So yeah, I think we will be getting rid of some of the tail assets, some of it. Steve's got his $1 billion. Some of the -- some of the bigger even if you talk some of the listed investments we can look at and when we do dispose of those that will be a big amount. Some of the tier won't give big value. But it takes a lot of management time away. So we continue to look in that, that's what Peter keeps looking at, but that's a debate what where you brings to the trading, can that all could turn, you -- but example Bolivia, Bolivia -- our Bolivian assets have a good reserve base, is a great reserve. We never intended developing those assets big, because of the political situation in the country. So we're carefully monitoring the political situation there. We'll see what happens and if it does become a basement friendly environment, we could re-look at Bolivia and see what we do there. So that's the way we look at the tail, we got to look at various ones, there are certain smelters, we could get, we want to get rid of, don't make economic sense to own and we continue to look at that. Peter?

Peter Freyberg, Head of Industrial Assets

Just on -- across the suite of assets in terms of what improvements we can make -- and some structural changes in those, and I actually think that the one will flow into the other, we've got different processes that are in place and we will see efficiency improvement. So a lot of the assets, a big part of the portfolio is going to be managed slightly differently going forward in terms of operational excellence and making sure that we have reliable steady performance that's linked to safety, but it always also linked to productivity and output and therefore cost. So yes, I do think that there are going to be improvements and those changes are happening -- have happened and continue to happen, where they need to happen. So I expect to see that over the next 12 to 18 months, we'll start to see some benefits from that.

Ivan Glasenberg, Chief Executive Officer

Like all the other mining companies, we're looking at technology, etc., we are playing core technology, the old, Isa smelting unit, which has a large technology unit, we've got HPS in Canada, which is also looking at different processing methods. So we're looking at that, like all the other mine, we look at electric machinery as Peter said and we got the deeper electric, fully electrified underground in Canada, it's Sudbury. So we like all the other mines, and we got Peter continually looking at that, where we can cut costs with extra technology, etc.

Ian Rossouw, Analyst

Hi guys. It's Ian Rossouw from Barclays. Just a couple of questions from me. First of all on the operational sort of performance and guidance, just comparing Mopani's guidance to what you said in the August results and it looks like it's already 30% to 35% downgrade to the profile. If you can just maybe talk about that. And then perhaps just more broadly, I mean, obviously you talk about stability and consistency of operational and financial performance in that slide, Ivan, I mean at what stage do you feel you will have confidence in the operational guidance you give us that the market can ascribe more, I guess a higher multiple on these guidance and that we shouldn't expect any further down growth going forward.

And then just on the increase in the CapEx line, Steve, you haven't really talked much about the Astron business, obviously the returns in the first half, didn't look spectacular, it was loss making. Could you maybe just sort of talk more broadly about that and maybe some of the other investments that have higher CapEx and what returns are actually

these business is bringing given you've spent about $1 billion acquiring that business?

Peter Freyberg, Head of Industrial Assets

Just quickly on the Mopani, you've got two assets sitting in one bar. And if you subtract one from the other, you're going to get two perhaps wrong answer. We are -- we have got a little bit of conservatism in that guidance for the African copper assets. But my comments about ramping up Katanga, I believe, continue to be valid and that's what we're aiming at. And obviously we are scheduling to restart the furnace of the smelter at Mopani in January. So we've added the two together, but we are making sure that when you think about the total volumes and then more or less going forward, that we can give you something that we can deliver. There is a bit of conservatism in that.

Ivan Glasenberg, Chief Executive Officer

To your question, can I have the confidence that we're going to deliver on it all. Remember, we've got 150 assets around the world. All our assets are running beautifully. No issues on the assets, so where did we have the issues, you take all our Australian coal mine, South African coal mines, you take our ferrochrome operations, etc., Yes, some we've cut back volume out of choice as I said earlier. But generally we're hitting on all our assets, we're hitting our volume predictions where we've been missing as these ramp-up assets. And that's what Peter spoke about. Those are the three Mopani, Katanga, Koniambo.

So I think if you take those three out of the system, the machine works. Now Katanga, next year will also move out of the system, it's going to be fully ramped up and as Peter said, by the end of 2020, we will be ramped up to 300,000 tons, copper, 32,000 tons, whatever it is cobalt, so that one will also move out.

So anyhow the other two is Mopani which has to ramp up, hopefully we'll get it done by the end of 2021 and at 2020 and then there's also -- and Koniambo is work in progress. So I think the rest of the assets, comfortable, it's the ramp up asset's you're is going to watch, any out one of that, the mining companies, real quick, anyone who is going to ramp up asset, how they're performing today and I think we've done pretty well. Yeah, we had a bit of a miss on Katanga, we didn't hit the 285,000 tone, 235,000 tons, whatever the number is, but not too bad in a second euro production. And next year, we should hit the 300,000 tons, annualized towards the end of the year.

Peter Freyberg, Head of Industrial Assets

Yeah. And in terms of Astron, we've obviously it's been, about six months, we've been in the chair over there. As you would know of that investment, yes, there was the acquisition, it also came with a commitment to spend around ZAR6 billion which is about $400 million over a five-year period of incremental investment beyond what they're sort of steady state was already. We're still looking into both technically and optimizing, sequencing what those might be. We can put more meat on the bone when those finally approved. But what we've seen as a couple of areas that are going to be the focus over there. One, you've got a refinery there that's running about 80% utilization so it's going to go down for a four or five weeks shut every single year.

And this absorbs the company -- I mean it's like six months to plan for this thing and then they do it over five weeks and -- sooner or they started thinking about the next shutdown, so that's why you running. So there is some plans as to how you can get that up to about 95%, 98% even uptime and only take it down, maybe two or three years for a few weeks.

The other thing with everything going on in the oil product market. It's also then things around qualities and the types of products that you actually then producing around the low-sulfur, the blends the IMOs, the field, the local things and there is some CapEx. And numbers that we've seen around sort of those are two of the bigger ideas and those things. These ought to be projects that incrementally deliver returns of circa 15%.

Ivan Glasenberg, Chief Executive Officer

So, size that - -also what Steve talks about with Astron and the Brazilian asset they help in lot of the trading, having short in the crude business, etc., also helps in the business and it benefits on the trading business. Even though we run them independently, we do get the benefit on the trading side.

Steven Kalmin, Chief Financial Officer

And actually the downstream is working very well, generating good, good cash flow, it's the refinery now is the one with this CapEx getting it on to, I mean as I said, we've already just feels like it's almost day one still, I think in February, we will be able to talk a little bit more of that.

Ivan Glasenberg, Chief Executive Officer

Paul?

Paul Gait, Analyst

Thanks very much. Paul Gait, Bernstein. Two questions if I could, just on the commodity markets. So first of all cobalt and then coal. So, on cobalt I'm just wondering, have you seen any change in the sort of artisanal supply in Congo over the last 18 months. Obviously, $100,000 a ton sort of incentivized to significant increase as the prices moved down. How is that sort of playing into this sort of supply demand balance and what is the sort of fundamental ability of that source of supply to continue going forward.

And then the second thing was on the coal markets. Looking at that sort of deficit that you sort forecast there and clearly one of the areas where you could sort of see something stepping into fill that hole would be domestic production of coal thinking here sort of Coal India so sort of the Chinese domestic production. So just wondering what your sense is on the price elasticity of domestic supply and how that looks under that kind of scenario. What is the ability of China to potentially increase meaningfully from here or indeed sort of Coal India to hit the sort of 1 billion ton per annum mark. Thanks very much.

Ivan Glasenberg, Chief Executive Officer

Okay. Thanks, Paul. On artisanals in the DRC, naturally when the price was high, that artisanal, with the numbers we got, and actually it's open for debate how much (technical difficulty) in 2018, artisanal -- artisanal mining dropped down to about 12,000 tons. So you have had a significant effect with the lower prices and that going forward. You saw even the economies, authorities announced today some they want to put a supply tightening artisanal mining that they don't want this extra tonnage coming on the market and they're going to put some control, saw some announcement, I don't know we're talking, but something that they're going to do there regarding artisanal mining, they had been talking about it for a while.

But you are correct, it came down. Now, when you talk about coal, we talk about 160 million tons, can that be fulfilled by industry, the own supply? And I spoke about seaborne coal, the 160 million. So we are looking at all the coal-fired stations that are in areas where it makes clear economic sense only to bring in imported coal. And you talked about Coal India, yeah Coal India, I think is producing around about 500 million, 600 million tons, Coal India to meet the demand that is required with the new coal fired stations being built in India internally has to go to about 1 billion tons.

Whether they get there, that's a debate how soon they can get there. I think we're talked about 2030, they're going to get to 1 million tons. So I don't think that, they will get there. So I think you're going to need even more seaborne coal potential, but where we talk about the 160 million and we have got studies there all the time. He is talking about the

coal-fired stations, they cannot use or unlikely to use because it doesn't make economic sense, local coal and has to rely on imported coal. So we're not looking at all the coal-fired stations being built in India, China etc., which use local coal, we specifically targeting imported coal. So we believe solidly that seaborne coal, where we took 160 million cannot be substituted by internal coal.

Unidentified Participant

Yes. Two sort of related questions. First one is really just on the organization, if we go back to the IPO, the pitch was that Glencore was a organization run by traders and the traders ran the divisions. We had all the traders up there. Today, we have an industrial gap there. Is this the new Glencore, I mean it looks like all those guys are gone and here's Peter, right. I guess, a related question. What is the strategy in oil? Again Alex has gone. It seemed like it was a bit of a failed experiment going into Chad and now you are putting money back into it.

Ivan Glasenberg, Chief Executive Officer

All right. Good questions. Yeah, look, when we did go public also, remember, yeah, it was the traders and we had the assets underneath and we are going to be asset trading company, we had asset managers sitting alongside the trade as you remember the model, it wasn't just the trades. Traders weren't running the assets. For example at that time, there were different zinc ore and the assets, it was a copper gold rent some of the assets, etc., So it was a long side, when we merged with it Xstrata, we clearly did create the trader and their asset manager. Most of the department -- well, all the departments have an asset manager in the asset, running the assets, for example, Tor Petersen was the coal trader, Peter was asset manager for coal. If you talk zinc, you had Daniel Mate, coal trader alongside, you had Chris Eskdale now running the zinc, the same ferro-alloys, you have the trader, you had Gary Nagle running the asset. So that model didn't change. That model still exist today.

So, exactly the same, every one of the department's you got an, trader alongside the asset manager who runs the asset. The trader runs the trading, works very close with the asset manager to ensure that we not back to value over volume, he will tell him what he believes the market can take, what the market can take, please. I know what you just producing for the sake of production. We go and sell at all back to the zinc story, back to the cobalt story. That was the trader who said hang on, we don't need all these tons in the market, we can screw the market. We're not going to make money at those mines. It doesn't make sense.

So that model still exists. What has happened, Peter, today of course you talked, $12 billion, $14 billion of EBITDA, $2.2 billion, EBIT, yeah, the trading is an important part of the business to market the tonnage from the asset as base is possible, third-party trading, very important. So that's not going to change. What we've done with Peter now, let's coordinate all those asset managers that they don't operate inside those. And that what I felt before, we are operating too much insiders that we weren't getting the message from the top through how we should all run swapping Peter -- people around with, Peter has already been able to do? You had me at the top, but I couldn't look into every asset, as Peter can, because he just focusing now on the assets.

So he is moving people between the different assets. So it was just a matter of evolving, finding the right guy respected by the Group who could take full control of all the assets with the asset manager still there. So not that much change from the past.

Back to oil. Yeah. Upstream oil didn't turn out great. No secret, we go and sit here and say, Chad turned out great, you know, Steve taken a few write-downs over Chad over the years. So can I say upstream at venture was that Great. Unfortunately, we did Equatorial Guinea the first one and it turned out well. So maybe the success of the first one was the problem of we thought we did have a good understanding of the upstream business.

Turned out Chad. We did, we didn't turn out the way we expected. So we've decided upstream not for us. We've got a bit left, as you know we, we're going to Equatorial Guinea, we got Chad. And we've got this piece in Cameroon and we continue working that. We go more into upstream, no. So the downstream business is more of the trading business, you

can say. What we like about the downstream business, is there, it creates a short for the trading business, for the crude for the products, etc., with the distribution networks which regarding Elucid [ph] in Brazil, which we got in Astron in South Africa. Right now. And actually we're going to stop. We're going to see how it works. Can we get to grips with this business. How much does it help the trading base having the short and just sitting on the downstream business, and we'll see how it goes, but upstream, yeah, didn't turn out great.

Martin Fewings, Head of Investor Relations and Communications

Myles.

Ivan Glasenberg, Chief Executive Officer

Good. Mr. Chairman, well it's with upfront.

Myles Allsop, Analyst

Yeah. Myles Allsop, UBS. A few quick questions. First of all on the DRC, could you give us a sense where we are with the mining code and discussions with government. Also with the DRC, how quickly could you restart Mutanda, if the market was there for the volumes. Secondly on coal, thinking more strategically now, if you continue to trade at a discount and you perceive, it's because of being the largest seaborne producer of coal, what options will you consider to try and address those sort of the discount? And then the third question was going back to the very end of your presentation, when you talked about management and a year of transition. I didn't quite understand the timeframe here. You're looking at sort of bringing in sort of new management over the next 12 months, so is it -- and what's your -- here for the next five years, so is it down two, three years?

Ivan Glasenberg, Chief Executive Officer

Yeah. Okay, let's take the first one, Mutanda. How quick Peter?

Peter Freyberg, Head of Industrial Assets

We can turn that on fairly quickly, if we needed to. There are some limited oxide reserves, but the long-term future is in the sulphides and that study is ongoing. But I don't think we would, you saw the profile of the cobalt and you've heard us talk about the sort of growth that we expect in the cobalt market, I think we need to be cautious about how quickly we've roll that on. I heard your comment -- it's the market, but I don't think we would -- the short-term price increase in the cobalt market to bring that back on. I think we take a long-term view in terms of how the sulfide project works and how we ramp it up going through the remaining oxides. The question was on the mining code.

Ivan Glasenberg, Chief Executive Officer

Yeah, the mining code we continue, it is the new code, it -- we have the stabilization agreement on the whole, the mining code and therefore we believe that should still being insisted. So we're reviewing it and we continue to talking to the government to see what we can do there. But we're not sitting back.

The other one you mentioned coal, yeah, where to reduce coal, look right now, coal is there, it generates a large amount of EBITDA for the company, it's something we believe is good for the company going forward. Anything change in the future we got to review it. But right now, investors have not told us they go to divest in Glencore because of coal. There has been one large, as you know, we did do the coal cap, we kept our coal production at 150 million tons and that's

what we've done to satisfy the investors and that's where we are right now.

On management change, we said and as I said earlier, as we're into the third generation coming to the end of the time of the third generation. And not many of us old guys left. So the old guys will be leaving, how soon, we're reviewing it right now. I would imagine it would occur next year. So, we are reviewing it right now, we're looking at it, when the right mid-time for the management change to take place, we're going into the new year, it's time to review it early in the New Year. And we will be reviewing it as we get back to work in the New year and decide where we need these last few management changes, so it should happen during the year.

Myself, I've always said that you know when the new management is in place and I hope we can get the new management in place as early as possible in the New Year. And then we're going to see, one same place, I've always said, when one of those managers with this sort of a lot of rumors who potentially could be there. There is a good crop of people, who should take over. I've always said, I don't want to be an old guy running this company. And as soon as those guys are ready to take over I'll be ready to step aside. So it could happen soon. No exact time. But as soon as I believe they're ready I will move aside.

Unidentified Participant

Hi, (inaudible), Credit Suisse. Two questions. So another one on coal and one on Mutanda. So, on coal you talked about the evolution, renewables in some domestic coal. How does the LNG market fit into that, given that's probably taken a lot of sort of price, action of the market this year. And secondly on Mutanda, you have talked about the future requirements of cobalt. I'd say, presumably the only realistic way to bring the asset that would be the sulfide project. Have you got any provisional sort of indications on how big or expensive that project is going to be?

Ivan Glasenberg, Chief Executive Officer

Peter?

Peter Freyberg, Head of Industrial Assets

I think it's too early to talk about that project is with at the option stage, the pre-feasibility stage.

Ivan Glasenberg, Chief Executive Officer

And a lot of things effect for Mutanda, the mining code, the effect of the mining code winter start up, what the global prices looking at. And as Peter said --

Peter Freyberg, Head of Industrial Assets

(Multiple Speakers) we have existing infrastructure in place.

Ivan Glasenberg, Chief Executive Officer

So, people starting -- there's still some offsets left. So just going to review it. So no rush, whilst the cobalt price, no rush. Let's get it right, let's bring it online when we sorted out a lot of issues in the DRC and the cobalt price. On coal, I didn't quite understand your question on coal.

Unidentified Participant

With LNG market, so you have seen a lot of coal gas switching this year, and I'm wondering how that fits into your sort of outlook on -- how much coal we think that we need to consume more market.

Ivan Glasenberg, Chief Executive Officer

The debate I continue to have on our Chairman, but he is the LNG men and we always debate how much can, we talk about this 160 million tons of new coal, we know the coal-fired stations are being built a day. They can't switch to LNG, but can LNG plants in those countries beat the coal price. We believe that the coal price we are talking about, hard for LNG to compete. We took $85, $90 Australian coal, Newcastle type indicator, all for LNG to compete in those areas. Now if the coal price goes to $120, $130, yeah, then your LNG could start kicking in, how much, how fast they can replace, we got to wait and see.

Now I know in Europe, we all see it, look what happened in Europe, coal consumption in Europe went down, economy mode was few years ago, but it's come down to 60 million tons in 1 billion ton seaborne mark. Talking about Europe, substitution of LNG gas, okay, there was a lot of gas, so also because of the gas that came, but Europe wanted to get out of coal. We intend to gas and they had the gas, so it's not a big player in the market, but the other -- and they're paying more for the energy. Now the other poorer countries are not prepared to pay for higher priced LNG even though people may believe it's clean or not it's another debate but coal is still cheap at those prices.

Unidentified Participant

Thank you.

Ivan Glasenberg, Chief Executive Officer

Agree Mr. Chairman?

Sylvain Brunet, Analyst

Good afternoon. Sylvain Brunet with Exane. Two questions from me. Alex [ph], you talked about the old EV story, 2020 could be an interesting year. Just wondering if you --

Ivan Glasenberg, Chief Executive Officer

Yeah. On '25, '20, I'm not sure of yet. I don't know many EVs are coming in 2020.

Sylvain Brunet, Analyst

If we talk about the battery chain, what is your assessment of how much inventory is there and what they are doing? And my other question is on marketing which was fairly very good guidance, what would be the areas where you've been surprised positively or negatively which businesses have done better this year than you would have thought?

Ivan Glasenberg, Chief Executive Officer

What sorry, on marketing?

Sylvain Brunet, Analyst

Yeah.

Ivan Glasenberg, Chief Executive Officer

Oh, on marketing simple, we all know oil performed well. You've seen the results come out from whether you're talking about the oil companies, where this BP and Shell, total they all having great results. You look at the other L1 trading companies they come out with various results different timing has been good. So well trading results are very good. But the rest has been okay, and as Steve says, let's give the number and when the Rio closures, but oil has performed well. Copper, cobalt not so great. You know about the situation in the cobalt division. So therefore, we have the issue on the cobalt, which is the shifting from the one side to the other side. But overall, oil was a good performer. On the battery supply and the -- I don't know to answer to that, really maybe, cobalt guys know that a bit better than me. I haven't seen the number, I know cobalt, with the amount of cobalt sitting, battery, inventory, no idea.

Peter Freyberg, Head of Industrial Assets

I mean, it would be fair to say that I read that sort of order books and just generally engagement with our customers has been good. On cobalt --

Ivan Glasenberg, Chief Executive Officer

No, the demand will (Multiple Speaker) Peter, you show with the announcement of the shutdown of Mutanda with the cobalt price picked up. I think we -- tremendous win from the buy $12 to $18.50, coming back a bit of -- now down to $16.50 around about that -- the percentage payables has increased came down a bit, but definitely increased when we shut, when we gave the announcement, we shut in Mutanda. Going forward, clear that our prediction is correct in the mine, you read about the mine to electric vehicles that are going to be built in Europe. European car manufacturers.

But we see it in the month of people chasing us for long-term contracts, and we've said that we will only saw sign long-term contracts with a floating price, but people are still locking in tonnages 5, 10 years going forward, and we signed a lot of contracts, you see we keep announcing them as and when we sign them. And we've done new coal, we've done --

Peter Freyberg, Head of Industrial Assets

Gem.

Ivan Glasenberg, Chief Executive Officer

Gem. We've done -- we didn't --

Peter Freyberg, Head of Industrial Assets

Various in the part -- those BMW --

Ivan Glasenberg, Chief Executive Officer

BMW we've done, and a few more coming. And as we saw we will announce it.

Peter Freyberg, Head of Industrial Assets

But that's positive of the battery supply chain. If they are obviously --

Ivan Glasenberg, Chief Executive Officer

There is no doubt and clean coal supply knowing it come from an industrial producer, like ourselves, most of the companies want to tie up long-term contracts.

Unidentified Participant

Just a few specific questions. One, should we expect some working capital released next year specifically from the cobalt inventory sales. One could calculate roughly $200 million could come from there if the cobalt that was produced last year, it could get sold next year. Secondly, I'm surprised that the thermal mine costs guidance hasn't gone up more given kind of the production reduction that you're seeing, especially in Colombia. What is sort of the breakeven volumes beyond which kind of more drastic action would need to be taken there. And thirdly, again on the oil side. Going back to the question on chart, that was -- that it's up for sale. Is that still the case given the production guidance kind of still looks like there is some growth there. So are you waiting for all that growth to get realized before you've kind of put that up for sale.

Ivan Glasenberg, Chief Executive Officer

Steve?

Steven Kalmin, Chief Financial Officer

I mean cobalt's working capital release, yes, we're obviously holding more than what we would regard as sort of normal optimum level. So to the extent we sell down below the levels we are now then clearly there will be a working capital release and this scope over -- the medium term to release quite a lot there, whether it's a (inaudible) within a 12-month period for 2020 and something, I can categorically say, but there's obviously the trend is going to be towards working capital release within with Cobalt, thermal costs. I think and again, it comes down to the fact that where tonnages come down, that's been the higher cost tonnes have come down, so you're averaging benefit also from that. We've got slightly better FX rates in Colombia and South Africa on a sort of comparison, Aussie dollar has been hovering at AUD68 [ph] which is obviously the other factor. There is other consumables procurement benefits, we've had some savings have also been delivered, that obviously baked into some of those numbers, but there's also a -- not every ton of coal is the same as the other ton and we want to make sure we're taking the most profitable tons out. What was the other?

Ivan Glasenberg, Chief Executive Officer

Is it Chad?

Martin Fewings, Head of Investor Relations and Communications

Chad.

Ivan Glasenberg, Chief Executive Officer

Chad, is it still left for sale?

Peter Freyberg, Head of Industrial Assets

I think --

Ivan Glasenberg, Chief Executive Officer

We look at every asset, every asset has a potential being up for sale. The right price, we sell anything.

Unidentified Participant

But that, I mean in terms of value maximization, would you -- have to sell ones the volumes around --

Ivan Glasenberg, Chief Executive Officer

If you look at this profile, we look, as you see, we got a profile and if we get the right price, we'll look at it.

Steven Kalmin, Chief Financial Officer

But obviously these numbers, we've given, you assume that -- that is assumed not so. So obviously the CapEx production cash flows is obviously built in and if for whatever reason, there was something on that front, we would adjust accordingly.

Ivan Glasenberg, Chief Executive Officer

Yeah. Thanks very much. Thank you.

Peter Freyberg, Head of Industrial Assets

Thanks, all.

Steven Kalmin, Chief Financial Officer

Thanks, Jason.

FINAL

Company Name: Glencore
Company Ticker: GLEN LN
Date: 2019-12-03
Event Description: Business Update Call

Market Cap: 31427.2689005
Current PX: 235.649993896
YTD Change($): -55.7000061035
YTD Change(%): -19.118

Bloomberg Estimates - EPS
Current Quarter: 0.08
Current Year: 0.165
Bloomberg Estimates - Sales
Current Quarter:
Current Year: 214079.267

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